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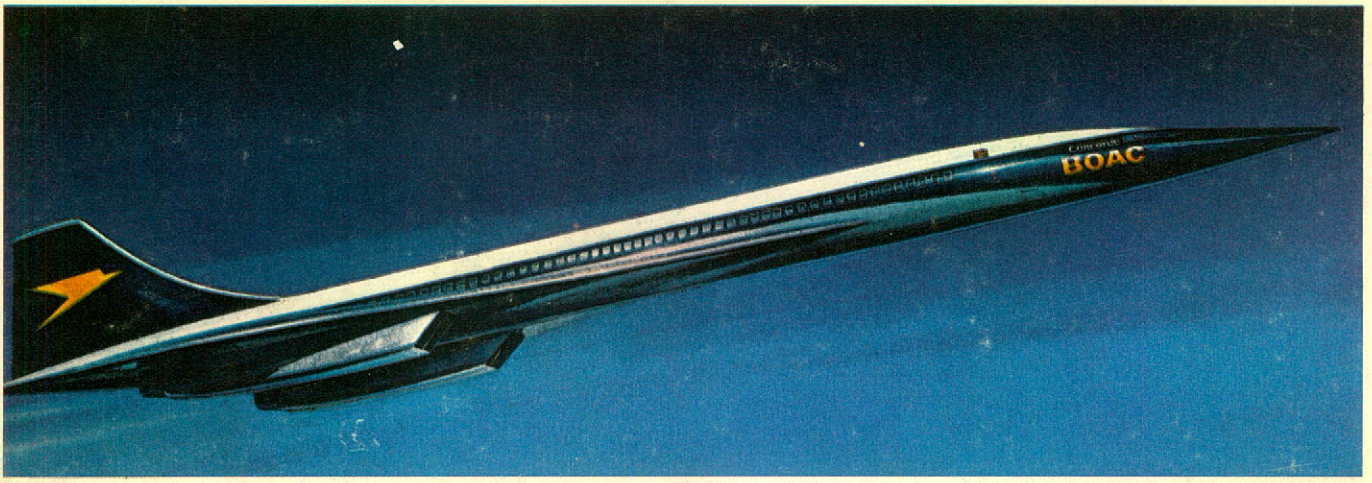

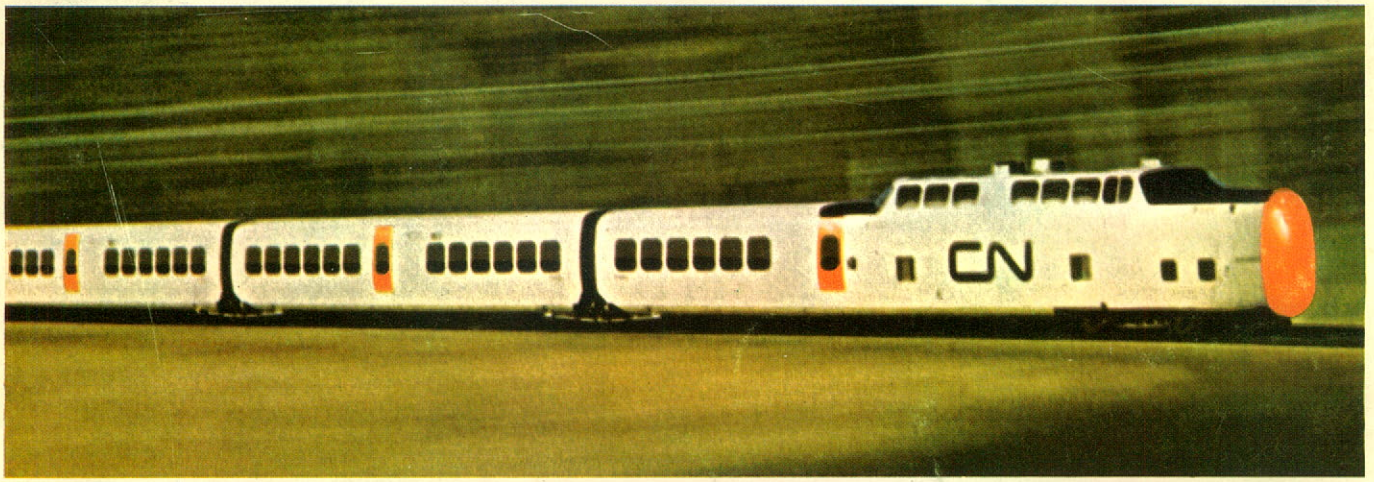

ALCAN ALUMINIUM LIMITED 1967 ANNUAL REPORT

ALCAN

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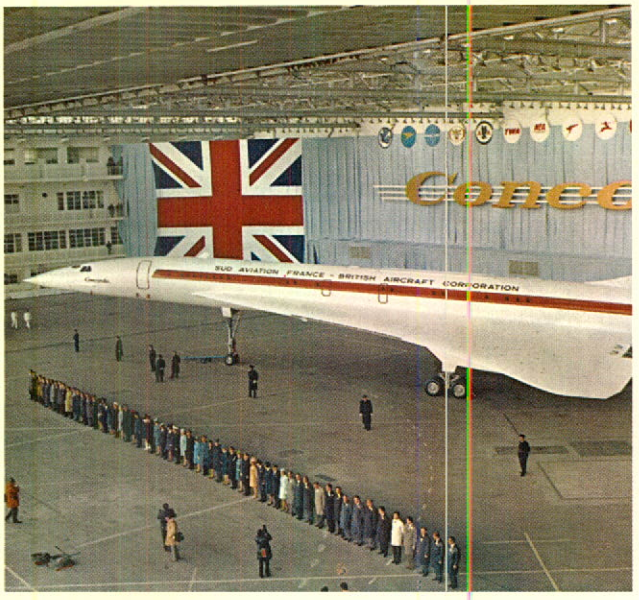
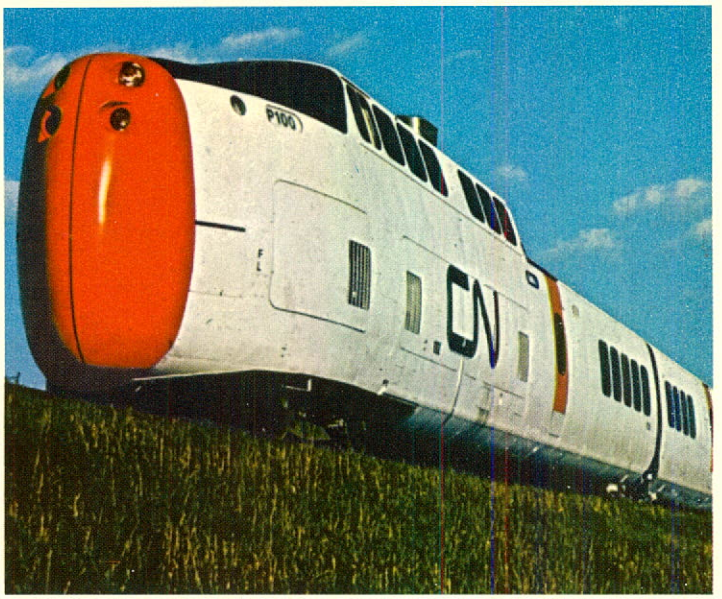




Transportation uses have become the world's largest market for aluminum. For the cover of this report, artists' impressions of three striking current developments have been selected. Alcan has played a part in these projects, all of which are now nearing completion as may be seen from the above photographs.

Top left: "Concorde" — This first supersonic passenger aircraft will be test-flown in 1968. Sud Aviation, of France, and British Aircraft Corporation are jointly responsible for its creation. Alcan Industries Limited in the U.K. has shared with other British and French companies in providing aluminum materials and fabricating techniques for the prototype. The craft is to carry 140 passengers at speeds as high as 1450 miles per hour.

Top right: "Turbos" — Five Turbos like this one will enter Canadian National Railways' Montreal-Toronto service in 1968. Designed by United Aircraft, built by Montreal Locomotive Works, mainly of Alcan aluminum, they are among the fastest and most advanced passenger trains in the world. Each equipped with five gas turbine engines, four for propulsion and one for services, the trains are built of welded aluminum sheet, plate and extrusions.

Center: "Cunarder" — The Cunarder "QUEEN ELIZABETH II" shown at her launching at the John Brown Shipyard on Clydebank, Scotland, uses 1100 tons of Alcan aluminum in her superstructure and interior fitments. The metal's lightness made possible one extra deck while maintaining the vessel's stability. Earlier experience of similar uses of aluminum in the construction of the P. & O. liner "ORIANA" and the Swedish-American "KUNGSHOLM" some years ago encouraged this latest application. Alcan Industries Limited provided aluminum sheet, plate and extrusions for all three ships. Aluminium Laboratories Limited, Alcan's research and development arm, also provided service in welding and other techniques.

Alcan Aluminum in Action

Alcan Aluminium Limited

Highlights and Summary of the Year 1967

- Alcan's Canadian smelters produced a record 877,700 tons of primary aluminum and added 100,000 tons to effective capacity.
- For the first time primary aluminum production by subsidiary and affiliated companies outside Canada exceeded 500,000 tons and 50 percent of Canadian output.
- Expansion of fabricating activities proceeded on all continents, highlighted by completion of Europe's largest aluminum rolling mill and initiation of a major new sheet rolling facility in the United States.
- Decisions were taken which contemplate Alcan achieving by 1972 a participation in smelters having a capacity of about 1,900,000 tons in nine countries.
- Despite less favourable business conditions in many markets, Alcan's world sales declined only slightly after several consecutive years of above-average growth.
- Total profits and common share earnings were down from 1966 but at the second highest levels on record.

	Year ending 31st December	
	1967	1966
Sales of aluminum products, in tons	1,103,900	1,115,500
Gross revenues	$995 million	$1,007 million
Net income	$65.1 million	$77.7 million
Profit per common share	$1.94	$2.41
Dividends per common share	$(U.S.)1.00	$(U.S.)0.925
Additions to plant and investments	$190 million	$122 million

	As at 31st December	
	1967	1966
Total assets	$1,911 million	$1,736 million
Long-term debt	$699 million	$579 million
Common shareholders' equity	$696 million	$624 million
Book value per common share	$21.59	$20.04
Number of common shares outstanding	32,270,164	31,137,066
Number of common shareholders	66,917	56,689
Percentage of common shares held		
By residents of Canada	39.8%	36.0%
By residents of U.S.A.	51.3%	60.1%
By residents of other countries	8.9%	3.9%
Number of employees	59,195	63,805

Alcan Aluminium Limited

Directors

FIELD-MARSHAL THE RT. HON.
THE EARL ALEXANDER OF TUNIS, K.G., London

DANA T. BARTHOLOMEW, Montreal
Executive Vice President

F. W. BRUCE, Montreal
Executive Vice President

DR. DONALD K. DAVID, Osterville, Massachusetts
Former Vice Chairman of the Board of Ford Foundation

NATHANAEL V. DAVIS, Montreal
President

JAMES A. DULLEA, Westport, Connecticut
Consultant to Alcan Aluminium Limited

KNUT GETZ WOLD, Oslo, Norway
Deputy Governor of Norges Bank

N. BAXTER JACKSON, New York
Chairman of International Advisory Board
Chemical Bank New York Trust Company

PAUL LAROQUE, Montreal
Vice President

H. H. RICHARDSON, Montreal
Consultant to Alcan Aluminium Limited

HON. JAMES SINCLAIR, P.C., Vancouver
Chairman of Lafarge Cement of North America Ltd.

M. B. DE SOUSA PERNES, Geneva
President of Alcan Aluminium S.A.

HON. JOHN L. SULLIVAN, Washington
Attorney, Sullivan, Shea and Kenney

M. P. WEIGEL, Montreal
Executive Vice President

HONORARY DIRECTORS

EDWIN J. MEJIA, San Francisco

R. E. POWELL, Montreal
Honorary Chairman of Aluminum Company
of Canada, Ltd

Alcan Aluminium Limited
1 Place Ville Marie, Montreal 3, Canada
Mail: Box 6090

Officers

NATHANAEL V. DAVIS
President

DANA T. BARTHOLOMEW
Executive Vice President, Finance

F. W. BRUCE
Executive Vice President, Smelting

DAVID M. CULVER
Executive Vice President, Fabricating and Sales

M. P. WEIGEL
Executive Vice President, Raw Materials

PAUL LAROQUE
Vice President, Secretary and Chief Legal Officer

HOLBROOK R. DAVIS
Chief Employee Relations Officer

J. F. EVANS
Chief Administrative Officer

J. F. HORWOOD
Chief Technical Officer

D. M. KERTLAND
Treasurer and Chief Accounting Officer

DUNCAN C. CAMPBELL
Chief Public Relations Officer

K. C. BALA
Assistant Secretary

A. A. BRUNEAU
Assistant Secretary

W. B. FINDLAY
Assistant Secretary

R. S. PORTER
Assistant Secretary

W. E. F. JOHNSON
Assistant Treasurer

The Annual Meeting of the shareholders of Alcan Aluminium Limited will be held on Thursday, 4 April 1968, at 11 a.m. in Place Ville Marie, Montreal.

Terms: In this report, all amounts are in Canadian dollars and all quantities are in short tons of 2,000 pounds each, unless otherwise stated.

"Subsidiary" indicates a company more than 50% owned whereas "affiliate" usually indicates a 50% or less ownership.

The term "Alcan" refers to the parent Alcan Aluminium Limited itself, or to one or more subsidiary companies as indicated by the context.

On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétariat de la Compagnie, case postale 6090, Montréal 3, Canada.

Report to the Shareholders

The year 1967 did not live up to earlier expectations of continued growth in the consumption of aluminum. The resulting slight reduction in the Company's sales volume, the impact of inflation on costs and lower fabricating profits largely account for a reduction of earnings as compared to 1966. In addition, fourth quarter earnings were hard hit by several non-operating charges which substantially offset non-operating credits in earlier quarters. The Company earned $1.94 per common share in 1967 as compared to $2.41 per share in 1966—a decline of 20 percent from last year's record earnings.

We now estimate that in 1967 total aluminum usage declined fractionally in the world markets the Company serves. Less than buoyant industrial activity in many areas, following upon several consecutive years of above-average growth in aluminum consumption, created this pause in the growth trend. Within this framework of demand, Alcan Aluminium Limited's consolidated 1967 sales of aluminum products totalled 1,103,900 tons, or about one percent lower than sales of 1,115,500 tons in the previous year.

In the past when demand has been slack, Alcan has normally experienced more than its proportionate share of the adverse impact on sales volume. That this has not occurred in 1967 not only reflects timely moves in strong market areas such as Japan, but also reflects the greater degree of forward integration that has been built into the Company's structure over the past several years. The 540,900 tons or about one half of 1967 shipments in semi-fabricated or finished form compare with the 180,000 tons or one third of 1958 shipments in these categories. Alcan, in its present posture, now appears to be less susceptible to disproportionate swings in demand than was the case in years past.

Photograph: Alcan's newly-formed group executive committee, composed of the president and the four executive vice presidents. From left, Dana T. Bartholomew, finance; F. W. Bruce, smelting; M. P. Weigel, raw materials; Nathanael V. Davis, president and chairman of the committee; David M. Culver, fabricating and sales.

Alcan's overall aluminum product price realizations showed little change in 1967 and failed to compensate for the increases in operating and overhead costs which were experienced. This is despite reduced purchases from the United States' stockpile and modestly higher published ingot prices in North America. In Canada and in several other areas, the cost of almost all the ingredients which make up the Company's costs of doing business — wages and materials, rents and salaries, interest and taxes — has been rising. Increases in productivity have continued but to a degree insufficient to make up the increases in cost. If Alcan, in common with many other companies, is to earn a proper return on its steadily increasing investment in productive facilities, the declining spread between costs and realizations must be reversed.

While there was a pause in the growth of the Company's sales, several major developments occurred in 1967 which should strengthen the Company in the coming years. Record outlays for fixed assets and other investments were made to provide the basis for full participation in the expected resurgence in the growth of aluminum consumption. Decisions were taken on important new projects which will result in further diversification of the Company's sources of primary production as well as further integration into the fabricating markets. The Company also adopted a revised organization structure to accommodate the greatly increased complexity of Alcan's widespread operations and the changing nature of the industry and Alcan's participation therein.

Alcan's expenditures on new plant and investment in 1967 totalled $190 million including the $43.5 million stated value of 1.1 million Alcan common shares issued in part payment for a 50 percent participation in A/S Ardal og Sunndal Verk (ASV). This partnership with the Norwegian Government in ASV, which has functioned effectively during its inaugural year, anticipates Alcan's growing requirements for metal supplies on a more diversified basis.

A significant additional portion of capital expenditures in 1967 went towards the expansion and modernization of the Company's Canadian smelters and Caribbean bauxite and alumina operations. As a result the Canadian smelters were able to produce a new high of 877,700 tons of primary aluminum and now have an effective capacity of about 950,000 tons to meet future demand with flexibility. During the year operating rates were adjusted to sales requirements and the present approximately 845,000-ton annual rate is in good balance with Canadian metal shipments.

Further afield, construction was started on the previously announced smelters in Australia and India and the Company's affiliate in Japan, Nippon Light Metal Company, Ltd., laid plans to increase smelting production at a new site. In the United Kingdom, Alcan submitted a proposal to the Government to establish a smelter in that country. As illustrated in the chart on the next page, if all of the foregoing projects are implemented, Alcan's participation in primary aluminum capacity in 1972 will approximate 1,900,000 tons with established smelters in nine countries.

In 1967 the smelters of Alcan subsidiaries and affiliated companies located in six countries outside Canada produced 521,000 tons of primary aluminum. For the first time, this production exceeded one half of Canadian output despite the increase in the latter. The actual 235,000-ton gain over 1966 output principally reflects the inclusion of ASV's output, although the other overseas smelters raised their combined production by over 10 percent.

The balance of capital outlays in 1967 was directed to the continuing improvement of aluminum fabricating facilities on which about $400 million has now been spent since 1959. During the past year the most notable developments in this area were the completion and initial start-up of the hot mill line of Europe's largest aluminum rolling mill by Alcan's 50 percent-owned affiliate in Germany, Aluminium Norf GmbH, and the undertaking by Alcan Aluminum Corporation in the United States to build a 100,000-ton capacity cold mill costing over $25 million. Over the next several years investment should remain heavy for new fabricating facilities, although increasing emphasis will fall upon facilities designed to improve profitability.

From the foregoing it is apparent that over recent years Alcan has evolved from essentially a producer in Canada of primary aluminum for world markets to its present position as a multinational integrated manufacturer and marketer of products ranging from raw materials to finished homes. More recently, trends in the cost structure of the aluminum industry and the economic policies of certain national governments have encouraged the growing involvement in home-market smelters.

Under the revised organizational structure effective 1 January 1968, Alcan's operations have been grouped into three divisional units: one is responsible for raw materials, one for smelting and one for fabricating and sales. Each divisional unit is headed by a line executive vice president responsible directly to the president. In the case of the fabricating and sales division, which embraces some 50 subsidiary and affiliated companies in 30 countries, the executive vice president is supported by area general managers responsible for operations in specific regions. The three line executive vice presidents, together with the executive vice president of finance and the president form a newly created group executive committee.

In view of the uncertainties overhanging international markets last year, it was decided to put the Company in a strong dollar position. This is reflected in the year-end balance sheet with holdings of cash and short-term investments at some $127 million — up $81 million over 1966. Working capital is up somewhat more. To finance this increase in working capital and that part of plant requirements not covered by operating income, U.S. dollar debt of the Aluminum Company of Canada, Ltd was increased by $124 million. In other areas, the Australian subsidiary concluded A $18.9 million of public financing and arrangements were made in India for financing the integrated west coast smelter development primed by Canadian and U.S. Government loans and supported by a share issue.

The long Kennedy Round negotiations came to an end in 1967. The results will bring to Alcan tangible benefits in the form of reduced tariffs on its metal entering the U.S.A. and Japan. While the Company had hoped for better results, particularly in Europe, the advantages of the Kennedy Round are sufficiently important that we would regret having them neutralized by the unilateral application by some countries of import taxes or other restrictive measures.

At the present time, most indicators point to reasonable growth in 1968 free-world aluminum consumption. Under these conditions, we would expect Alcan to achieve higher levels of aluminum sales and total revenues for the year. It is, however, more difficult to evaluate whether any material improvement can be obtained in overall price realizations although such are needed. Actual price realizations and the degree to which the Company is successful in offsetting the inflationary forces at work will have an important bearing on the Company's results in 1968.

If the levels of our longer range forecasts are confirmed, the relationship between free-world aluminum production capacity on the one hand and consumption on the other hand should not change materially from the relationship which existed in 1967. These forecasts, in our view, call for caution in launching new production facilities if demand and supply are to be in reasonable balance.

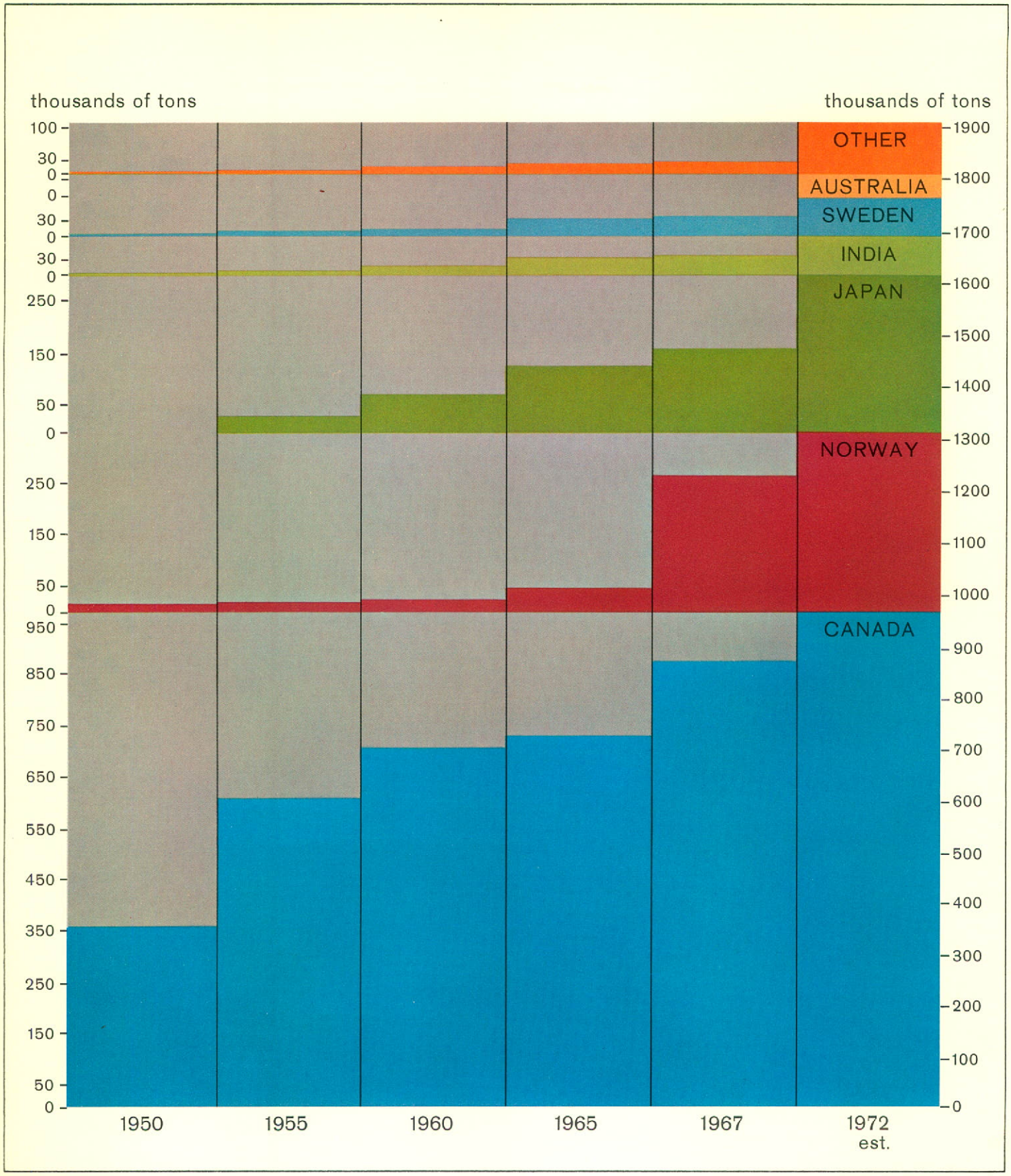
With the exception of labour disruptions in Guyana, industrial and personnel relations were good throughout the year. On behalf of the Directors I wish to express appreciation for the continuing effective and enthusiastic performance of the Company's personnel near and far.

Respectfully submitted,

Nathanael V. Davis

Montreal, Canada
14 February 1968.

President



Alcan and Affiliated Companies — Production of Primary Aluminum

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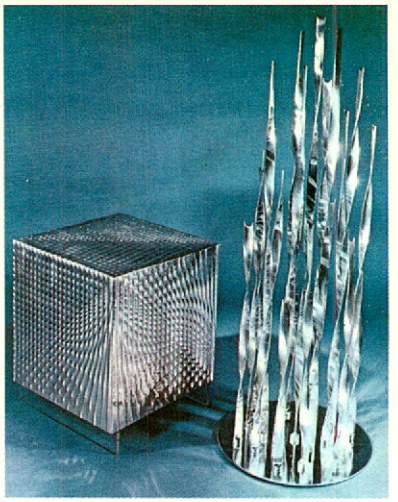

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1. Tokyo skyscraper uses ANOLOK treated aluminum facing. Alcan holds world-wide ANOLOK rights.
2. Aluminum trophies by Heinz Mack for winners of Alcan golf championships.
3. Alcan and High Duty Alloys Limited supplied sheet, plate, extrusions and forgings for the 600-passenger cross-channel HOVERCRAFT.
4. Ian Proctor masts from Alcan extrusions in Sir Francis Chichester's GYPSY MOTH IV underwent an extreme test — his round-the-world solo voyage.
5. Famous London busses use Alcan aluminum in their construction.

Review of the Year
Markets and Sales

Aluminum

After several consecutive years of above-average growth, free-world aluminum consumption levelled off in 1967. Preliminary figures place actual usage at 8,100,000 tons, a fraction of one percent less than the revised 8,150,000-ton total for the previous year. Present estimates indicate 1967 consumption comprised 6,500,000 tons of primary metal and 1,600,000 tons of secondary ingot and scrap. The revised figures for 1966 place consumption of primary metal at 6,550,000 tons and of secondary metal at 1,600,000 tons.

Free-world primary aluminum production amounted to 6,790,000 tons in 1967, an increase of about 620,000 tons or 10 percent over that in the prior year. While the displacement of metal taken in 1966 from the United States government stockpile utilized an important part of additional primary metal output, the figures indicate a significant net addition to metal inventories.

Alcan's consolidated subsidiaries sold 1,103,900 tons of aluminum products to third parties in 1967 as compared with 1,115,500 tons in 1966. Excluding inter-group transactions, it is estimated 1967 aluminum product sales by all Alcan subsidiary and affiliated companies taken together approximated 1,500,000 tons as compared with 1,350,000 tons in 1966. Much of the increase reflects inclusion of A/S Ardal og Sunndal Verk's (ASV) total volume rather than just that part received in barter for alumina.

Metal sources for aluminum product sales by Alcan's consolidated subsidiaries were the following: Primary smelters of Alcan subsidiaries produced 877,700 tons in Canada and 64,000 tons in other countries. Metal from alumina barter and tolling arrangements with affiliated companies accounted for another 57,600 tons. Other sources, including metal purchases from affiliates, totalled 146,000 tons as compared with 212,500 tons in 1966 when the figure included 43,600 tons from the United States stockpile. Encompassing all Alcan subsidiary and affiliated companies, total primary metal production in 1967 was 1,399,000 tons as compared with 1,074,000 tons in 1966. Net secondary metal output approximated 60,000 tons in both years.

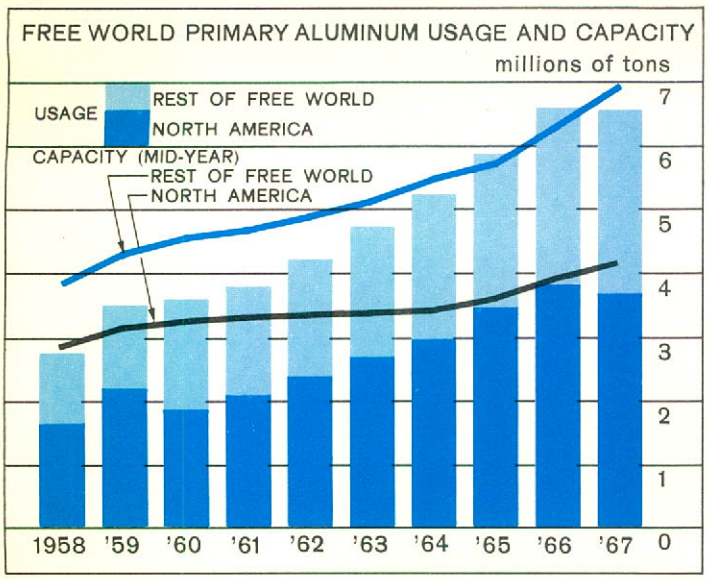
The less buoyant economic conditions evident during the year in North America and certain European countries contributed to the levelling in free-world aluminum consumption. Preliminary estimates indicate United States usage showed a minor decline while that in Canada declined about five percent. As indicated in the table below, Alcan's consolidated 1967 sales of aluminum declined 7.5 percent in Canada and 15 percent in the United States. The considerable drop in the Company's United States volume relates in part to Alcan's above industry average participation in residential building and related markets, a low participation in packaging markets, and the absence in 1967 of certain ingot outlets obtained in the previous year.

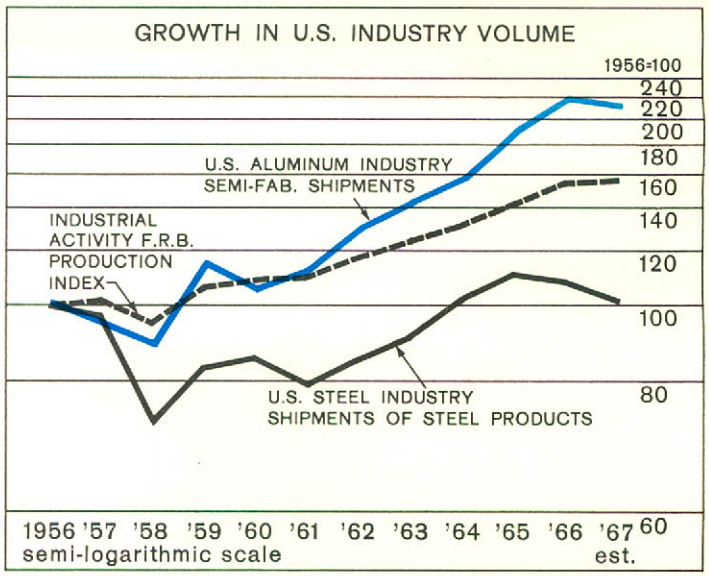
ALCAN ALUMINIUM LIMITED – GEOGRAPHICAL DISTRIBUTION OF CONSOLIDATED SALES OF ALUMINUM

In short tons

	1963	1964	1965	1966	1967
Canada	93,800	100,800	116,100	137,100	126,800
United States	258,000	232,200	339,100	394,800	334,400
United Kingdom	145,700	174,100	163,000	159,800	165,900
All Others	364,100	355,400	374,900	423,800	476,800
TOTAL	861,600	862,500	993,100	1,115,500	1,103,900

United Kingdom aluminum consumption was again affected by government programs designed to deflate the domestic economy and to improve the country's balance of payments. Despite the general economic situation, Alcan's consolidated shipments in this market registered a modest improvement.





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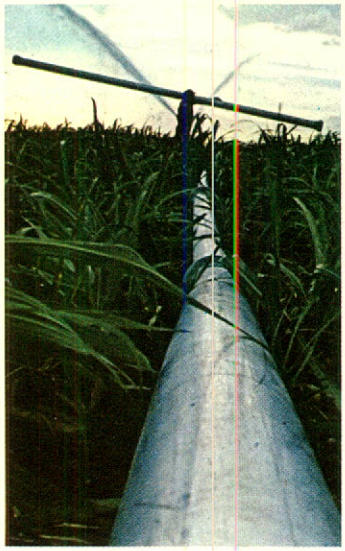

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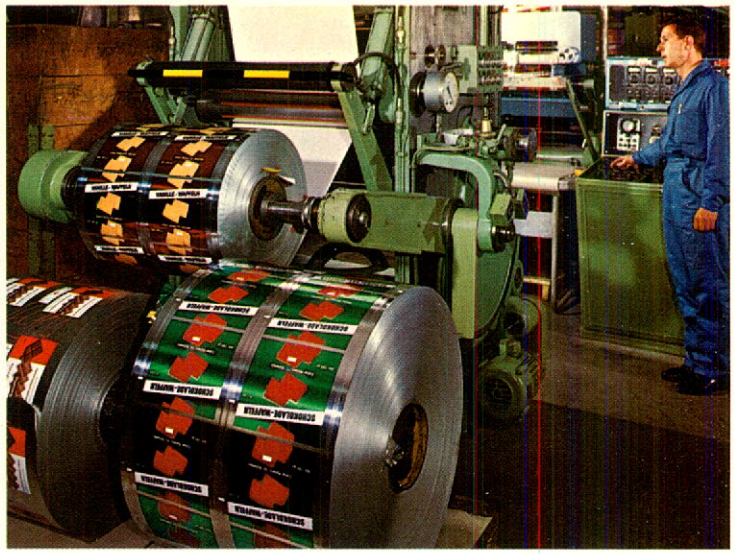

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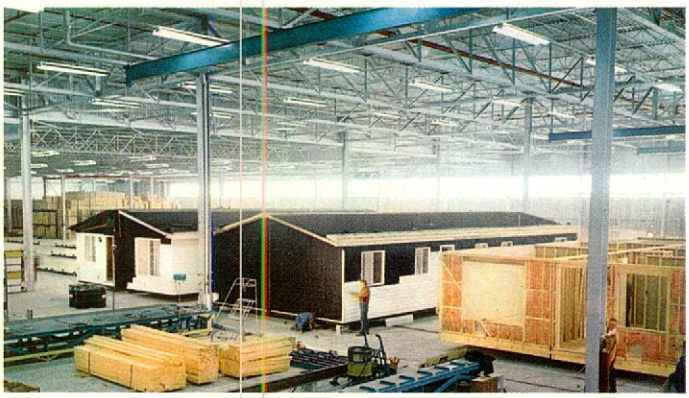

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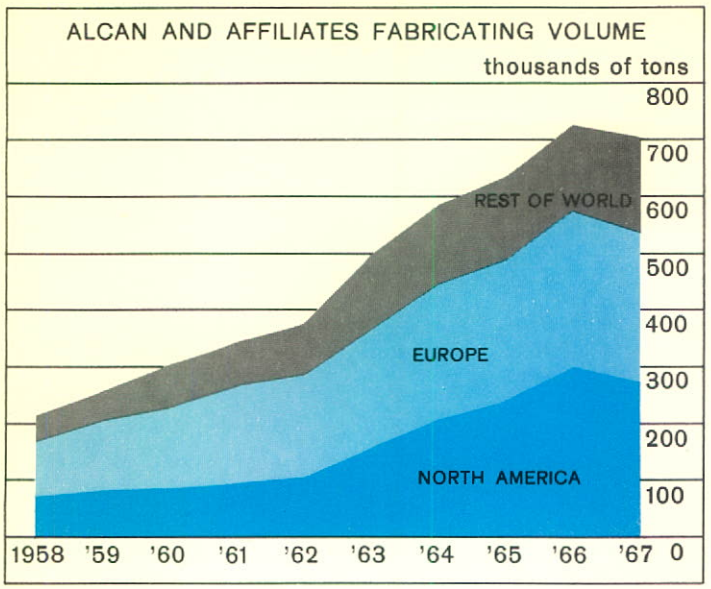
1. Alcan irrigation tubing, Jamaica. Thousands of tons of such Alcan tubing are in use throughout the world.
2. Alcan decorated foils from Rorschach, Switzerland, are among the finest produced anywhere.
3. Prototype models of ALCAN UNIVERSAL homes placed in Toronto, Ontario, and St. Bruno, Quebec.
4. UNIVERSAL home manufacture based on automotive production line methods started at Woodstock, Ontario, 31 January 1968.
5. Miscellany of products using Alcan metal vended in Hong Kong harbour.
6. Large tonnage of Alcan sheet and conduit was used in heavy water plant of Deuterium of Canada.



Taken together, sales of aluminum by Alcan's consolidated subsidiaries in all other markets rose 12.5 percent in 1967. This reflects in large part substantially higher sales of Canadian ingot in Japan despite increased production by domestic smelters in that country including Alcan's 50 percent-owned affiliate, Nippon Light Metal Company, Ltd. Statistics indicate Japanese aluminum consumption rose over 15 percent in 1967. Total aluminum consumption and Alcan's aluminum sales also showed good growth in India. The rise in Alcan's sales volume in the European Common Market countries as a group exceeded the nominal growth achieved by the industry in this area.

The analysis of Alcan's consolidated sales presented in the table below indicates that in 1967, as in 1966, fabricated products accounted for just under one half of total aluminum sales by physical volume and just over two thirds by dollar value. As illustrated in the above chart, fabricated product sales by all Alcan subsidiaries and affiliates taken together totalled 703,000 tons in 1967 as compared with 724,000 tons in 1966 and 230,000 tons in 1958.

Ingot and ingot product sales by Alcan's consolidated subsidiaries showed a nominal rise in 1967. The major increase in volume sold in Japan more than offset a decline in United States market volume. Minor changes occurred in a large number of other markets.

Effective 18 January 1967 the posted list price for aluminum ingot in Canada and the United States was raised by one half cent a pound to Can. 26.5 cents and U.S. 25 cents respectively. At the same time upward adjustments were made to fabricated product prices in these markets. Other list price changes implemented during 1967 included general sheet product price increases in Germany late in the year, and both ingot and fabricated products price increases in the United Kingdom following devaluation of the British pound. The list price for aluminum ingot outside North America was not adjusted in terms of United States dollars and remained at the equivalent of U.S. 24.5 cents a pound.

Alcan's price realizations on ingot products declined slightly and on fabricated products rose slightly reflecting at least in part changes in product mix. With general economic prospects showing some brightening, a trend towards better realizations may prove possible ahead.

Alumina, Calcined Bauxite and Other Products

The lower level of economic activity in some major industrial markets in conjunction with other factors reduced Alcan's consolidated sales of aluminas, calcined bauxite, industrial chemicals and all other non-aluminum products to $87.9 million in 1967 from $90.9 million in the previous year. This sales level is more than double that achieved five years ago in 1962.

Alcan's third party alumina sales showed little change in 1967 while metal grade bauxite volume dropped slightly. Production problems held calcined bauxite sales approximately seven percent below the 1966 level despite strong demand.

Magnesium volume declined significantly due mainly to lower production levels in the European automotive industry. Sales of flake and powders made from metals other than aluminum by Alcan Metal Powders declined slightly, while sales of certain other non-aluminum products made by the United States fabricating operations increased.

Market conditions and the requirements of the Company's own smelters resulted in third party industrial chemical sales showing little change. Alcan's growing participation in the chemical industry is directed towards those heavy chemicals derived from the Company's world-wide aluminum activities and includes aluminum fluoride, aluminum sulphate or alum, chlorine and alumina hydrate.

ALCAN ALUMINIUM LIMITED AND SUBSIDIARY COMPANIES — ANALYSIS OF CONSOLIDATED SALES

	Ingot and Ingot Products		Fabricated Products		All Other Products	Operating Revenues	Totals	
	Tons	$'000	Tons	$'000	$'000	$'000	Tons	$'000
1963	530,854	233,185	330,700	326,037	53,543	57,044	861,554	669,809
1964	507,966	236,872	354,580	358,115	67,438	65,125	862,546	727,550
1965	503,533	243,475	489,582	496,938	80,987	68,917	993,115	890,317
1966	561,399	273,135	554,072	565,435	90,921	68,799	1,115,471	998,290
1967	562,951	271,479	540,933	555,835	87,880	65,585	1,103,884	980,779

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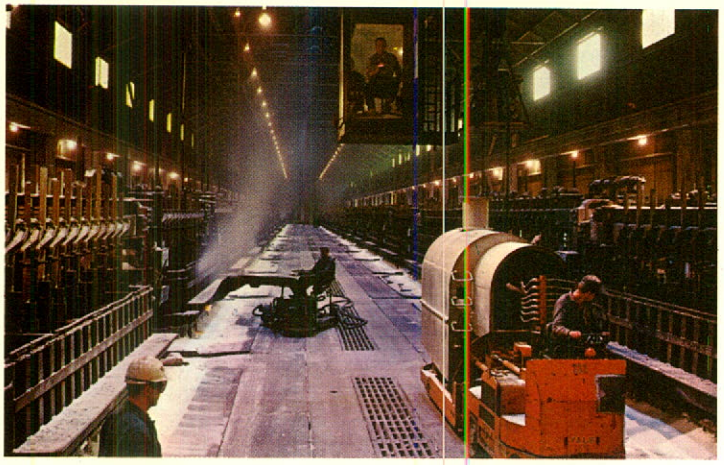

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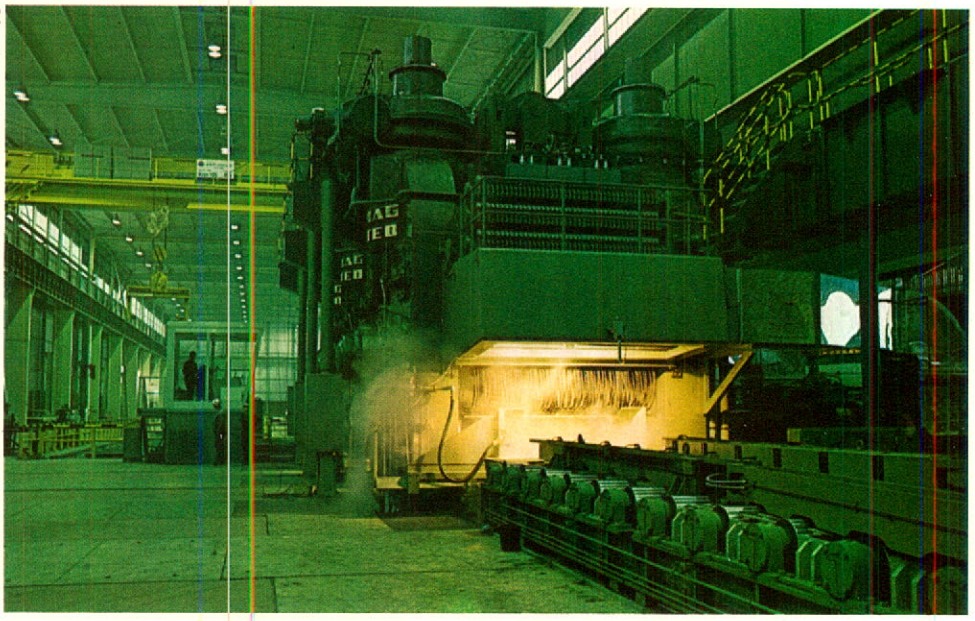

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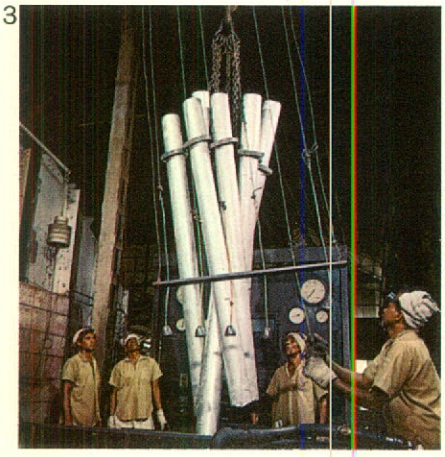

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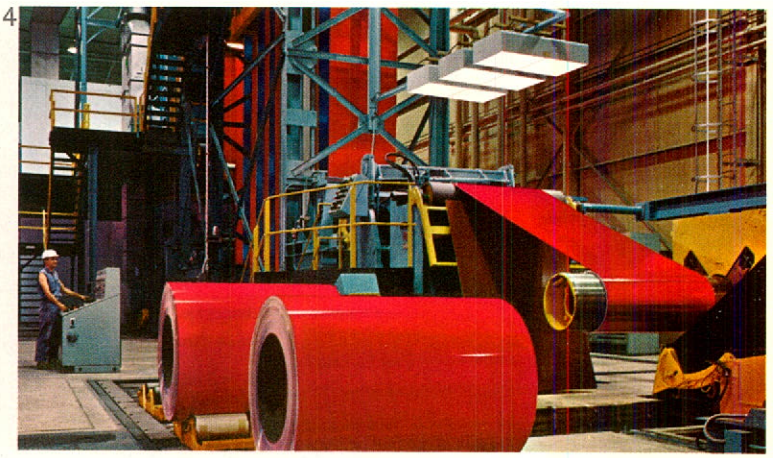

1. Potline, Kitimat Smelter — new capacity was added in 1967.
2. Norf hot mill, most modern in Europe, is a joint project of Alcan and Vereinigte Aluminium-Werke A.G., in Germany's Rhineland. It started operations in December 1967.
3. Extrusion ingot moving from casting pit, Indian Aluminium Company's Alupuram smelter.
4. Alcan Aluminum Corporation's new Warren, Ohio, paint line coats sheet up to 300 feet per minute.

Price realizations on aluminas, calcined bauxite, magnesium and other major non-aluminum products remained substantially unchanged in 1967.

Market Surveys

Alcan maintains a specialized staff devoted to analyzing and assessing trends in the aluminum industry. A recently completed study projects 1970 free-world aluminum consumption by market and by end use.

Interestingly, this study anticipates that aluminum consumption growth rates in Latin America and the more industrialized Asian countries should result in these areas increasing their share of the free-world market to 15 percent by 1970 from 12 percent at the present time. Alcan affiliated companies currently participate actively in each of these markets and many of the companies involved have major expansions under way.

This study also indicates better than average growth prospects for aluminum usage in the electrical and packaging industries. The products of Alcan affiliated companies have a particularly strong position in electrical markets throughout the free world and in packaging markets outside North America.

Operating Review

Smelters

In 1967, Alcan's subsidiaries and affiliates produced a total of 1,399,000 tons of primary aluminum. This includes output by the Aluminum Company of Canada, Ltd of 877,700 tons as compared with 788,500 tons in 1966.

At the Canadian smelters, completion early in the year of important projects in the major expansion and modernization program permitted raising the annual operating rate from 847,000 tons on 1 January to about 940,000 tons by the late spring. Subsequently, curtailments were made to adjust output to demand. The current operating rate is at an approximately 845,000 tons or 89 percent of effective capacity level. As an indication of the efficiencies resulting from the modernization program, the Canadian smelters output in December 1967 equalled that in December 1966 with four less potlines in operation.

The Canadian smelters now have an effective annual capacity approximating 950,000 tons. As and when required, moderate further investment could raise this total to 1,000,000 tons. This existing and potential capacity gives Alcan considerable flexibility to meet varying world-wide metal requirements.

The smelters of Alcan's subsidiaries and affiliates outside Canada produced 521,000 tons of primary metal in 1967 as compared with 286,000 tons in 1966. The inclusion of ASV accounted for most of the indicated 235,000-ton increase. All smelters of subsidiaries and affiliates outside Canada operated essentially at capacity throughout 1967 with the exception of those in India where the drought-caused hydro-electric power shortage prevented Indian Aluminium Company, Ltd.'s full utilization of expanded capacity during the first part of the year.

Approximate effective annual capacity of all non-Canadian smelters totalled 540,000 tons at the 1967 year end as compared with 304,000 tons one year earlier. The inclusion of ASV's two smelters with a combined capacity of about 185,000 tons, and increments of roughly 20,000 tons each to the capacities of Nippon Light Metal Company, Ltd. and A/B Svenska Metallverken, a 21 percent-owned affiliate in Sweden, accounted for most of the indicated increase. Lesser additions to capacity in terms of tonnage, although still significant in relation to the size of the smelters involved, were achieved by Aluminio Minas Gerais S.A., a wholly-owned subsidiary in Brazil, and Det Norske Nitridaktieselskap, a 50 percent-owned company in Norway.

During the current year Alcan's subsidiaries and affiliates outside Canada should complete additions to capacity totalling over 90,000 tons. This spring Nippon Light Metal Company, Ltd. will start up a 21,000-ton extension to its Niigata smelter, bringing the company's capacity to about 185,000 tons. Later in the year ASV, including A/S Norsk Aluminium Company, will reach a 275,000-ton capacity with completion of a new 58,000-ton potline. A/B Svenska Metallverken will add 11,000 tons to achieve a 66,000-ton capacity.

Looking further ahead, projects in various stages of development contemplate establishing smelters in additional countries and adding over 250,000 tons to the annual primary smelting capacity of subsidiary and affiliated companies outside Canada. In 1969, Alcan Australia Limited should bring into operation 30,000 tons of Alcan's first smelter in that country. This smelter will have a basic capacity of 40,000 tons. Late in the same year, Indian Aluminium Company, Ltd., a 65 percent-owned subsidiary, should complete the first 33,000-ton stage of an integrated bauxite, alumina and smelter development on India's west coast, south of Bombay. This subsidiary's annual ingot capacity will then approximate 75,000 tons.

Nippon Light Metal Company, Ltd. has recently announced plans to construct a 130,000-ton smelter costing about $125 million on the northern Japanese island of Hokkaido. The present schedule anticipates initial production in 1970 and reaching target capacity in 1972. Smaller Alcan subsidiaries and affiliates located in Brazil, Norway and Sweden also have plans to increase their primary metal capacities as market conditions warrant. As well, Alcan has recently submitted a proposal for construction of a two-stage smelter in the North of Scotland with the first 67,000-ton stage to come into production in 1970 and, subject to economic conditions, the second 67,000-ton stage to follow in 1974.

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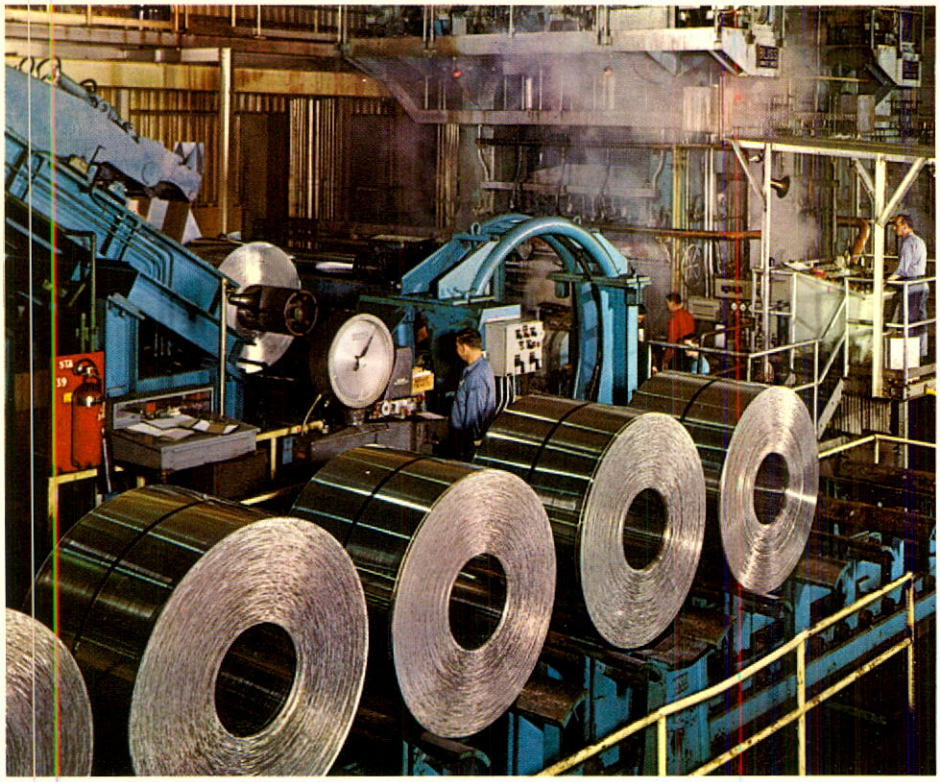

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1. Alcan Aluminum's Oswego, New York, 200,000-ton per annum hot mill. Major expansion in the form of cold mill facilities was started in 1967.
2. Alcan Industries Limited's Rogerstone Works, South Wales. Meticulous inspection of tubing.
3. Terrace to Alice Arm, British Columbia, transmission line. More than 60 aluminum towers have been placed by helicopter in one day — permitting a large saving in time and field crews.
4. Checking extruded shapes. Inspection department, Campbellfield Plant, Alcan Australia Limited.

Fabricating

Alcan's subsidiary and affiliated companies shipped 703,000 tons of fabricated aluminum products to third parties in 1967. Within this figure, fabricated product shipments by consolidated subsidiaries amounted to 540,900 tons as compared with 554,100 tons in 1966.

During 1967, less favourable economic conditions affected volume in certain major markets. This was particularly true of the market for the present range of sheet products rolled by Alcan Aluminum Corporation in the United States. On the other hand defence demand and additional capacity permitted Alcan Metal Powders (U.S.A.) to substantially raise shipments, while increased ingot supplies allowed Indian Aluminium Company, Ltd. to significantly expand output.

Investment in 1967 for the further development of fabricating operations increased substantially over that in the previous year. These outlays by Alcan and consolidated subsidiaries brought to about $400 million the amount expended in this area since 1959. Some of the most important developments within the fabricating operations of the Alcan group during 1967 include the following.

In the United States, Alcan Aluminum Corporation undertook construction of a 100,000-ton capacity cold-rolling sheet plant at Oswego. Costing over $25 million and planned for operation early in 1969, this facility will have ultra-modern rolling and finishing equipment designed to produce high quality sheet products. This same company brought a new high-speed paint line into operation at Warren, Ohio, about mid-year, and is now installing a light gauge sheet mill at its Fairmont, West Virginia works. These projects, and in particular the Oswego cold mill, mark important steps towards making Alcan Aluminum Corporation more competitive in a broad range of sheet products. Also in the United States, Alcan Cable brought into production late in the year a new 15,000-ton capacity cable plant in California and neared completion of a 60,000-ton capacity rod plant in Pennsylvania. These facilities will bring this operation's total rod and cable capacities to 90,000 and 53,000 tons respectively.

In Canada, a new factory for the production of the plant-assembled sectionalized ALCAN UNIVERSAL homes was completed in Ontario by the year end, although behind schedule due to external forces. Initial production has now begun on these prefabricated, fully finished and equipped units, which are designed to fill the need for quality single family housing at a total cost well within the financial reach of a great many wage earners.

Quite apart from this project, Alcan Design Homes Limited enhanced its position in 1967 as Canada's largest builder of single and double unit homes. Completed units sold approached 700 or over 10 percent more than in 1966. Present plans anticipate a further volume increase in the current year.

Also in Canada, the first 12,000 tons of the planned 17,000-ton addition to rod capacity at Arvida in Quebec came into operation and brought total Canadian rod capacity to 60,000 tons. At the year end, installation of a new cable mill in Newfoundland was approved and a continuous strip casting plant in Quebec was under consideration.

In Europe, the most important development during the year was the completion and startup of the hot-rolling line of the area's largest aluminum rolling plant by Alcan's 50 percent-owned affiliate, Aluminium Norf GmbH. This facility in the German Rhineland has an initial annual reroll stock capacity of 200,000 tons. At this same works a 50,000-ton capacity cold mill will come into operation this year. These two facilities and the 20,000-ton capacity cable plant completed in 1966 represent an investment exceeding $75 million.

Also in Germany, Alcan Aluminiumwerke GmbH, a wholly-owned subsidiary, commissioned in 1967 an additional cold-rolling mill with supporting finishing equipment and consolidated two formerly separate foundry operations. These major new facilities and the modernization of older operations should provide in Germany a strong base for full participation in the European markets' anticipated growth.

Elsewhere in Continental Europe, many Alcan subsidiaries and affiliated companies have also undertaken expansions of various types. These include additions to extrusion capacities in four countries, new foil mills in two countries and improvements to sheet rolling facilities in two countries.

In the United Kingdom, active pursuit of productivity improvement continued at all fabricating facilities. The modernization and rearrangement of the Wembley foil plant is approaching completion and will have the effect of increasing the capacity of this facility by 25 percent. Additional sheet finishing equipment is also being installed.

In Asia, Indian Aluminium Company, Ltd. programmed a 13,000-ton capacity sheet plant which will form part of the integrated smelter project near Bombay. Alcan's Japanese affiliate, Nippon Light Metal Company, Ltd., and its fabricating subsidiaries ordered a continuous strip casting machine to permit the manufacture of large reroll coils and a major new hot mill with its supporting equipment, while also having under way projects to substantially enlarge window sash manufacturing facilities. Another affiliate in Japan added to Alpaste capacity and authorized a 20 percent expansion to foil rolling capacity.

Alcan New Zealand Limited will add a modest amount to sheet rolling capacity through an improvement program initiated in 1967. An associated company will more than double cable capacity to over 3,500 tons. Alcan Australia Limited has augmented finishing facilities by installing extrusion anodizing and painting facilities as well as other equipment.

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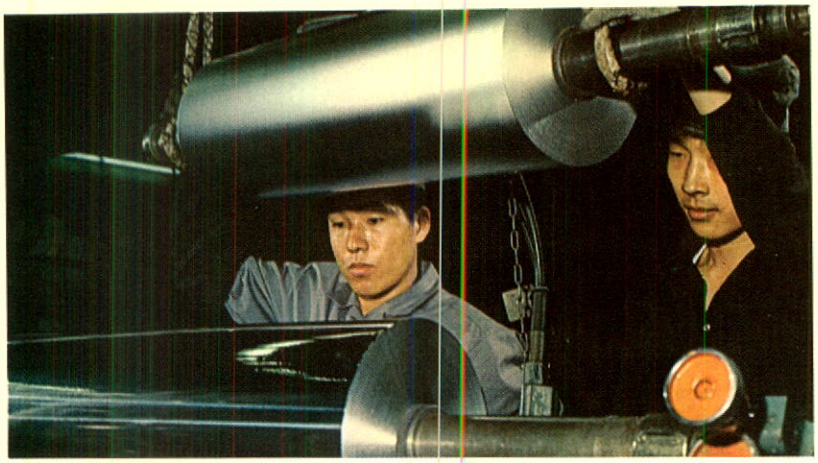

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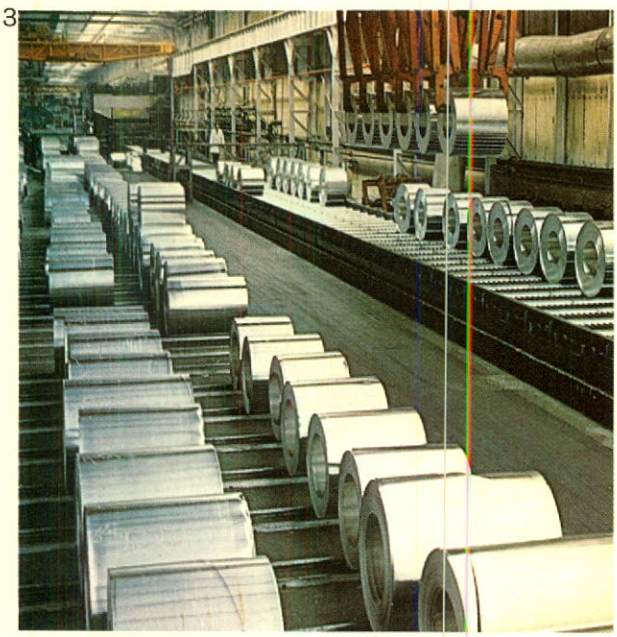

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1. Toyo Aluminium plant, Tokyo, Japan. Checking coil at foil separator.
2. Close-up of cable stranding. Alcan began producing cable at Shawinigan, Canada, in 1902.
3. Coiled stock at Alcan Industries, Rogerstone. Right — coils cooling; left — awaiting cold rolling.
4. Arc cutting of aluminum was recently developed at Aluminium Laboratories Limited, Kingston, Ontario. Alcan is a leader in welding development and related techniques.
5. Scalping an ingot, preparatory to rolling. Alcan New Zealand Limited, Christchurch, N.Z.

In Brazil, the 5,000-ton capacity cable plant originally planned for Recife has been delayed and will now be located in the city of Salvador. The Brazilian subsidiary is also implementing the first phase of a major five-year program which will involve bringing annual capacity for extrusions to 11,000 tons and for sheet to over 19,000 tons through additions of 6,000 tons and about 3,000 tons respectively.

In Africa, Alcan Aluminium of South Africa Limited has progressed with and will complete this year an expansion program designed to increase the company's total fabricating capacity by nearly one half to about 37,000 tons. Modernization of an existing extrusion press and installation of an additional press will take extrusions capacity from under 8,000 tons to over 13,000 tons. About 3,500 tons of additional sheet capacity will result from completion of the 84-inch hot mill this spring. Wire drawing facilities and further Alpaste manufacturing equipment have also been installed.

Elsewhere in Africa, Alcan Aluminium of Nigeria Limited temporarily suspended operations and expansion projects following outbreak of civil war in this country.

Bauxite and Alumina

The past year witnessed continued progress towards providing for the future raw material requirements of Alcan group smelters as well as the anticipated demand by third parties for both bauxite and alumina and their derivatives.

Alcan Jamaica Limited neared completion on the planned expansion of the Ewarton alumina plant to over 600,000 tons. Completion of this project and a reinforcement program at the Kirkvine plant will give this company annual alumina capacity of about 1,225,000 tons by this spring. In 1967 Alcan Jamaica Limited produced for shipment to the smelters in both Western Canada and Scandinavia some 920,000 tons of alumina or four percent more than in 1966.

In Guyana, Demerara Bauxite Company, Ltd. mined sufficient bauxite in 1967 to permit production of just over 300,000 tons of alumina and nearly 1,000,000 tons of metal grade bauxite, and to provide for sales of approximately 515,000 tons of calcined bauxite. These levels of alumina and metal grade bauxite output represented little change from volumes in 1966. Calcined bauxite sales were, however, held seven percent below the year earlier level by certain production difficulties including particularly inclement weather conditions. The current major facilities expansion program now approaching completion in Guyana will raise annual calcined bauxite capacity by 170,000 tons to about 740,000 tons, significantly add to potential metal grade bauxite output, and increase to a minor extent effective alumina capacity.

In Canada, the Arvida alumina plant operated at approximately the same 90 percent level in 1967 as in the previous year. Purchases of bauxite from traditional sources again supplemented supplies from Alcan's own mines.

The Gladstone, Australia, alumina plant of Queensland Alumina Limited reached full operation about mid-year and has subsequently exceeded rated capacity. Alcan has a 20 percent interest in both the initial 672,000-ton annual capacity of this facility and the 336,000-ton addition to this capacity already under way.

In 1967, third party metal grade bauxite sales were at a lower level. These included output from Southeast Asia Bauxites Limited which produced 525,000 tons and Société Anonyme des Bauxites et Alumines de Provence which produced 475,000 tons. Output in 1966 by these subsidiaries amounted to 748,000 tons and 454,000 tons respectively.

Negotiations to bring the Boké bauxite deposits in Guinea into production continue. It is hoped that the necessary railway, harbour and mining facilities will be completed so that bauxite shipments can commence in 1972. Alcan has agreed to take approximately 1.3 million tons in each of the first five years of operation and 1.5 million tons in each of the subsequent fifteen years.

In line with the increased requirements of their smelters, Indian Aluminium Company, Ltd., Aluminio Minas Gerais S.A. in Brazil and Nippon Light Metal Company, Ltd., in Japan plan additions to bauxite sources and alumina facilities.

Hydro-Electric Power and Transportation

Alcan's Canadian hydro-electric facilities generated record quantities of power in 1967. Usage at the smelters increased but in an amount substantially less than the 11 percent rise in metal output due to improved efficiencies. Slightly higher primary and reduced secondary power sales to third parties produced operating revenues of $22.8 million as compared with $22.3 million in 1966.

The installations in the Saguenay region of Quebec operated at capacity as in the previous year. Average output at the Kemano powerhouse in British Columbia was up about 10 percent. At this facility an eighth 112,000-kw. generator came into operation early in the year. Retail electric power distribution in the Kitimat area was transferred from the Company to the provincial power authority.

Operating revenues from providing transportation services to third parties showed little change from the 1966 level. As well as handling Alcan group requirements, the wholly-owned subsidiary Saguenay Shipping Limited had revenues of about $28 million from providing bulk and general cargo services to other customers. This business contributed both to profitability and logistics. With the Suez Canal closing and despite a certain amount of labour unrest in some ports, overall results of Saguenay Shipping proved satisfactory in 1967.

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1. Scientist of Chemical Division, Aluminium Laboratories Limited, Arvida, conducts experiment in alumina research. Aluminium Laboratories also operate large establishments at Kingston, Ontario, and Banbury, England.
2. Queensland Alumina's plant, Gladstone, Australia, officially opened 4 August 1967. Alcan's equity and share of capacity is 20%, yielding 134,000 tons of alumina yearly.
3. Alcan Jamaica's Port Esquivel will handle more than a million tons of alumina in 1968.
4. A Demerara Bauxite wheel excavator removes overburden at one of company's mines in Guyana.

Research and Development

Alcan maintained research and development activity through 1967 at a high level except for work on the monochloride direct reduction process, which was indefinitely postponed in September. During the year, research programs in the aluminum smelting, fabricating and applications areas progressed well and in one major instance moved from the pilot to the commercial volume stage.

In the smelter area, significant progress was made in the utilization of computers to control reduction plant operations. Work on existing programs related to carbon technology, alumina production and techniques of inspection and analysis also continued. A modest increase in these projects and the initiation of new fundamental work on reduction cell design and operation, ore dressing, and molten metal handling and treating will take place in the current year.

Development work in the areas of metal handling, casting and production of semi-fabricated products progressed and, as a result, both productivity and quality in the Company's fabricating plants improved with that for rolled products being particularly notable.

In the area of aluminum product applications, fields of major interest continued to be joining, the design and performance of structures, and surface finishing. An outstanding achievement was the transfer from pilot to commercial scale of the "ANOLOK" colour anodizing process, which has been under intensive development in Alcan's research laboratories. During the year licenses for commercial use of this process were granted to over a dozen companies in eight countries and negotiations started with as many more.

Also in the area of aluminum product applications, the development and commercial introduction of several new welding techniques took place, while structural design knowledge and its application to the sale of Alcan products were greatly enhanced.

In recent years, Alcan has made annual expenditures approximating $15 million on research and development. Near term, postponement of further work on the monochloride process will reduce these outlays some 15 to 20 percent.

Litigation

As reported in the Company's annual report for 1966, the Company and its major subsidiary in the United States, Alcan Aluminum Corporation, agreed with the U.S. Justice Department to the filing of a consent decree in connection with a complaint filed by that Department relating to the acquisition by Alcan Aluminum Corporation of certain fabricating facilities. Under the terms of the decree, which was entered on 4 November 1966, Alcan Aluminum Corporation agreed to offer for sale, during the following nine months, certain of the acquired assets and the business related to them. After expiry of the nine-month period Alcan Aluminum Corporation made a motion to dismiss the suit on the ground that it had complied with the decree in making all efforts required of it to find a purchaser, and that such efforts had met with no response. The motion, which was opposed by the Justice Department, was heard on 22 December 1967 and a decision is still awaited.

Employee Relations

The number of employees declined 4,610 to 59,195.

Several important labour contracts were concluded during the year, among them two at the Demerara Bauxite Company, Ltd., covering 4,800 employees. These contracts expire in 1971. In the current year contracts covering all our employees in Jamaica concerned with mining and alumina production, and all employees at our Canadian smelters are up for re-negotiation.

During the year 0.4 percent of the total man-days scheduled were lost as a result of industrial disputes.

Financial Review

Earnings and Dividends

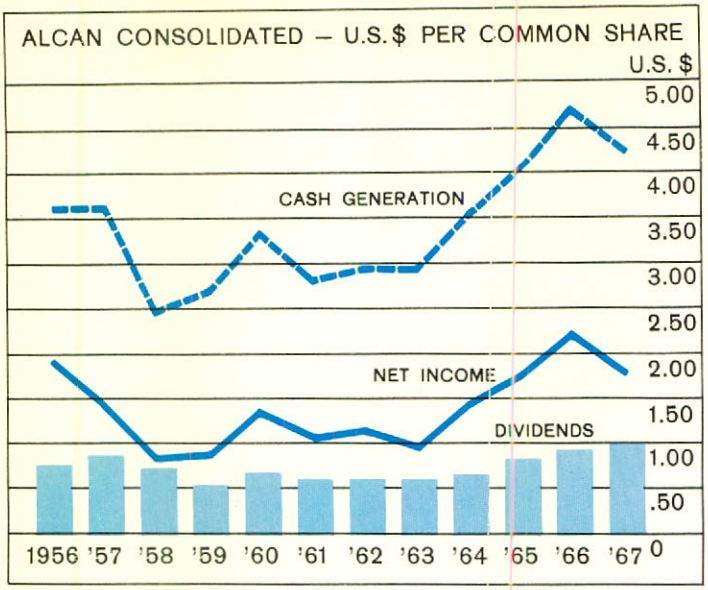
Consolidated net income for 1967 was $65.1 million. This is 16.2 percent below the peak $77.7 million set in 1966, but still represents the second highest profit on record. After provision for dividends on the Company's preferred stock, earnings per common share on the average number of shares outstanding in each year amounted to $1.94 in 1967 as compared with $2.41 in 1966.

Common share dividend disbursements totalled $34.8 million in 1967, up $3.8 million or 12.2 percent over the 1966 figure of $31.0 million. Quarterly payments were maintained at the U.S. $0.25 per share rate established in the final quarter of 1966. The disbursement per common share was U.S. $1.00 in 1967, up eight percent from U.S. $0.925 in 1966.

Sales and Revenues

Total corporate revenues amounted to $995.1 million in 1967 as compared with $1,007.3 million in 1966. Revenues from product sales declined by 1.5 percent to $915.2 million. This reflected essentially unchanged price realizations on a 1.0 percent lower aluminum products tonnage volume and a 3.3 percent or $3.0 million drop in sales of non-aluminum products. Operating revenues realized from third parties were slightly below the 1966 figure due mainly to reduced wholesale distributorship activities in the Caribbean area.

Equity in income of companies 50 percent-owned approximately doubled in 1967 to $6.9 million from $3.5 million in 1966. The inclusion of one half of ASV's net earnings and the substantially improved profits of Nippon Light Metal Company, Ltd. account for this increase.

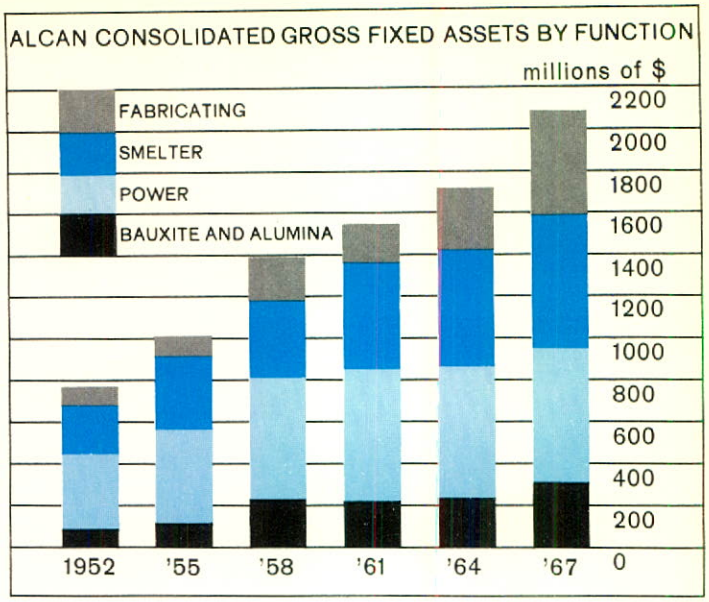


Other income includes a net gain of $1.1 million from the disposal of fixed assets. This net amount is after providing for the write-off at year end of equipment utilized in the development work on the direct reduction process. A gain of $2.0 million arose from the sale of copper bus conductor made surplus through replacement by aluminum during modernization of the Canadian smelters. Some $12.3 million from the same source in 1966 was credited directly to earned surplus due to its material size.

Costs and Expenses

In the absence of increased sales volume or material improvement in price realizations, the impact of generally rising costs was clearly evident in 1967. The inflationary climate in many countries and particularly in Canada was a major contributing factor to higher costs. Another significant factor was more difficult mining conditions in Guyana. In addition, the adjustment of primary aluminum production rates and initiation of the ALCAN UNIVERSAL homes project in Canada, and the carrying out of Caribbean bauxite and alumina facility expansions involved relatively heavy expenses.

The Company's selling, research and administrative expenses rose 10 percent to $85.5 million in 1967. Excluding the effect of inflation, part of this increase relates to expenses associated with Expo 67 in Montreal, a larger corporate advertising and public relations program, and larger expenditures on research and development. Another part is the inevitable result of Alcan's increased activities in the fabricating area where overhead expenses are generally higher than for ingot production and sales. In 1968, benefits from organizational changes made to improve efficiencies, the curtailment of outlays on direct reduction process research and the absence of Expo 67 related expenses should contain the upward pressure on these overhead costs.



Higher interest charges on long-term debt principally reflected the drawing down of additional funds under the revolving loan credit agreement with certain major North American banks. An important portion of these additional borrowings has remained on short-term deposit awaiting utilization with the result that interest income as included under "Other Income" also increased in 1967.

Certain factors affected the provision for income taxes. To a major degree, the apparent decline in the percentage effective rate from that in 1966 relates to larger equity in after-tax income of companies 50 percent-owned and non-taxable capital gains. There were also tax credits related to past expenditures on scientific research in Canada and to other less significant matters. Adding to taxes payable was the expiry of a five-year tax holiday in Guyana on the profits of Demerara Bauxite Company, Ltd.'s alumina plant.

Exceptional cost items affected the reported earnings of Alcan in 1967. The most important was the devaluation in November of the United Kingdom pound sterling and related currencies. This resulted in a write-down by Alcan subsidiaries in the countries concerned of net current assets excluding inventories equal to about $2.0 million or $0.06 per Alcan common share. Devaluations of the Brazilian cruzeiro, Argentine peso and Spanish peseta during the year had similar though smaller adverse impacts.

Capital Expenditures and Financing

Expenditures on new plant and investments during 1967 totalled a record $190 million, up $68 million from 1966 outlays of $122 million. This 1967 total includes $44.5 million representing the stated value of 1.13 million Alcan common shares issued together with U.S. $4 million of promissory notes in connection with the acquisition of a 50 percent interest in A/S Ardal og Sunndal Verk, and in

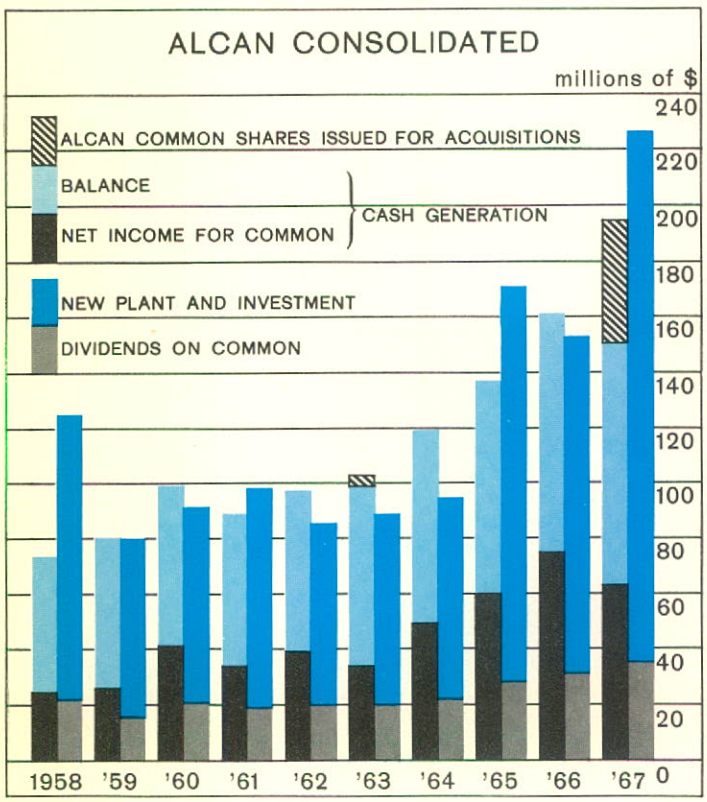
related transactions whereby ASV acquired Alcan's former 50 percent interests in A/S Norsk Aluminium Company and A/S Nordisk Aluminiumindustri.

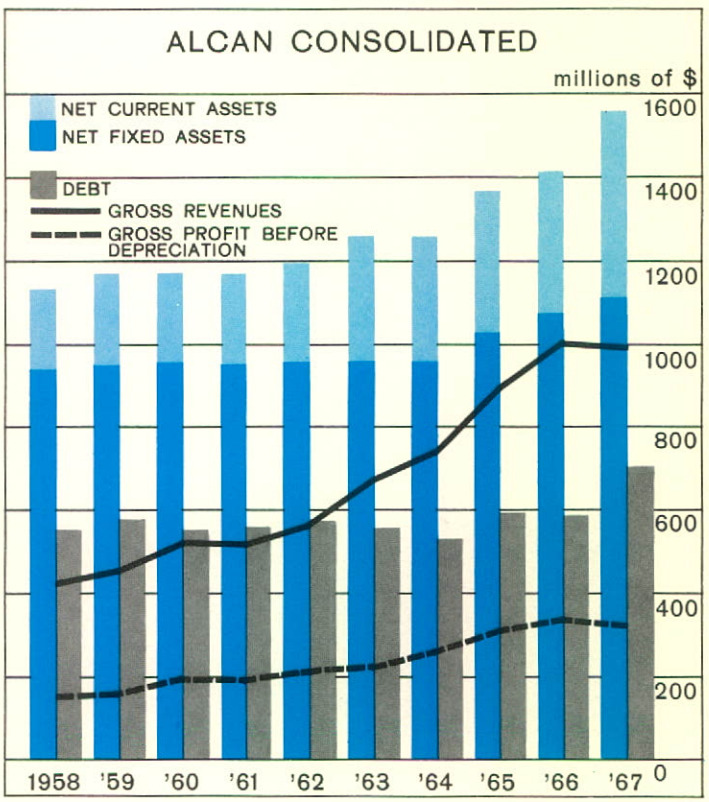
Out of the balance, $84 million went to strengthening, modernizing and enlarging other parts of the Alcan group's raw material and ingot supply system. Including the major portion of these outlays brought to over $140 million the amount spent during the last two years on the Canadian smelters and the Caribbean bauxite and alumina operations. The remaining $57 million was applied to the continuing improvement and expansion of aluminum fabricating facilities. Expenditures by fabricating subsidiaries in the United States accounted for approximately one third of this amount and brought investment in that country during the last three years to over $100 million. Further heavy investment by Alcan subsidiaries and affiliates also took place in Germany.

Cash generation, including a $4.3 million provision for deferred taxes and a $79.5 million provision for depreciation and depletion, totalled $148.9 million or 7.5 percent less than 1966's $161.0 million. Additional financing was arranged to cover that part of heavy cash outlays on capital expenditures not covered by internal cash generation, to place the Company in a strong dollar position due to the uncertainties overhanging international markets, and to provide for the major smelter projects under way in Australia and India.

Long-term debt of the Aluminum Company of Canada, Ltd increased by U.S. $124 million under an expanded U.S. $160 million revolving credit agreement with certain North American banks. Alcan Australia Limited arranged to raise in Australia the equivalent of Canadian $23 million through a combination of 7.5 percent debenture stock and ordinary shares, which will give Australian institutions a 29.5 percent interest in this Alcan subsidiary. Indian Aluminium Company, Ltd. arranged to fulfill the foreign exchange requirements for its West Coast project through loans of $5.5 million from the Canadian government's Export Credits Insurance Corporation and U.S. $2.0 million from the Export-Import Bank in Washington, and Alcan's subscription to additional shares under a planned rights issue. Indian participation in this share issue and local loans during the current year and 1969 will complete the necessary outside financing for this over $50 million project.

Planned 1968 capital expenditures approximate $150 million. About one half will go to further upgrading and expanding fabricating facilities. Of this amount, outlays in the United States — mainly by Alcan Aluminum Corporation for the Oswego cold mill and other parts of its facilities improvement program — will account for over one third. Smelter development projects outside North America, particularly in Australia and India, will account for a significant portion of remaining 1968 capital outlays. It is not expected that financing these expenditures will necessitate a significant increase in Alcan's actual total of long-term debt now outstanding or already arranged.





Source and Application of Funds

year ending 31st December 1967

	in millions of Canadian dollars	
	1967	1966
Working Capital (beginning of year)	$332	$331
SOURCE OF FUNDS:		
Net income	65	78
Depreciation and depletion	80	74
Deferred income taxes	4	9
Gain from sale of copper conductor (note 8)	—	12
*Alcan Aluminium Limited common shares	44	1
Net increase (decrease) in debt	120	(9)
Other	14	(8)
	327	157
APPLICATION OF FUNDS:		
Plant	127	122
Investments	63	—
Aluminum Company of Canada, Ltd preferred share redemptions	1	1
Alcan Aluminium Limited preferred dividends	2	2
Alcan Aluminium Limited common dividends	35	31
	228	156
Increase in Working Capital	99	1
	327	157
Working Capital (end of year)	$431	$332

*Issued in connection with the acquisition of a 50% interest in A/S Ardal og Sunndal Verk (note 10).

Alcan Aluminium Limited and Subsidiary Companies

Consolidated Statement of Income

year ending 31st December 1967

	in Canadian dollars	
	1967	1966
REVENUES:		
Sales	$ 915,194,296	$ 929,490,600
Operating revenues	65,584,901	68,799,295
Equity in income of companies 50% owned (notes 1 and 3)	6,856,000	3,494,000
Other income (note 8)	7,503,193	5,491,414
	995,138,390	1,007,275,309
COSTS AND EXPENSES:		
Cost of sales and operating expenses	671,746,784	669,224,605
Provision for depreciation and depletion (note 5)	79,475,863	74,601,560
Selling, research and administrative expenses	85,457,015	77,717,328
Interest on debt not maturing within one year	31,323,375	27,414,523
Other interest	7,234,358	6,847,313
Other expenses (note 9)	2,726,767	6,791,069
	877,964,162	862,596,398
Income before income taxes	117,174,228	144,678,911
Provision for income taxes:		
Current	43,667,146	54,214,304
Deferred (note 5)	4,268,141	8,733,754
	47,935,287	62,948,058
Income after income taxes	69,238,941	81,730,853
Dividends on preferred shares of subsidiaries and other minority interests	4,116,125	4,064,512
Net income	$ 65,122,816	$ 77,666,341
Profit per common share (after preferred dividends)	$1.94	$2.41

Consolidated Statement of Earned Surplus

year ending 31st December 1967

	in Canadian dollars	
	1967	1966
Earned surplus — beginning of year	$ 467,548,897	$ 411,122,344
Net income for the year	65,122,816	77,666,341
Gain from sale of copper conductor (note 8)	—	12,300,311
	532,671,713	501,088,996
Alcan Aluminium Limited dividends:		
Preferred	2,550,000	2,550,000
Common	34,761,911	30,990,099
	37,311,911	33,540,099
Earned surplus — end of year (note 7)	$ 495,359,802	$ 467,548,897

Consolidated Balance Sheet—Assets

31st December 1967

	in Canadian dollars 1967	1966
CURRENT ASSETS:		
Cash	$ 53,959,804	$ 25,239,784
Time deposits and Government of Canada securities, at cost	73,339,140	20,846,096
Receivables	197,800,645	203,667,836
Inventories of aluminum, materials and supplies (note 2)	329,694,261	327,248,241
	654,793,850	577,001,957
Deferred receivables	15,842,064	19,774,329
Prepaid expense and deferred charges	11,669,750	11,460,010
Investments in companies not consolidated (notes 1 and 3)	121,661,700	58,442,576
Land, plants, riparian rights, and facilities, at cost (note 4)	2,063,949,976	1,976,018,721
Less: Accumulated depreciation and depletion (note 5)	957,391,290	907,122,038
	1,106,558,686	1,068,896,683
	$1,910,526,050	$1,735,575,555

Approved by the Board:

Nathanael V. Davis, Director Dana T. Bartholomew, Director

Consolidated Balance Sheet—Liabilities

31st December 1967

	in Canadian dollars	
	1967	1966
CURRENT LIABILITIES:		
Payables	$ 110,818,815	$ 120,371,882
Short-term bank borrowings (principally in foreign currencies)	60,801,015	74,373,355
Income and other taxes	35,827,943	40,133,005
Other debt payable within one year (note 16)	16,265,094	10,007,062
	223,712,867	244,885,304
Debt not maturing within one year (note 16)	698,947,733	578,711,539
Deferred income taxes (note 5)	149,774,404	145,506,263
Preferred shares of subsidiaries and other minority interests (note 6)	81,724,822	82,464,974
CAPITAL STOCK AND SURPLUS:		
4¼% Cumulative redeemable convertible preferred shares, par $40 (note 10) Authorized and outstanding — 1,500,000 shares	60,000,000	60,000,000
Common shares without nominal or par value (note 10) Authorized — 60,000,000 shares Outstanding — 32,270,164 shares (1966 — 31,137,066)	201,006,422	156,458,578
Earned surplus (note 7)	495,359,802	467,548,897
	756,366,224	684,007,475
	$1,910,526,050	$1,735,575,555

Notes to Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of all companies more than 50% owned. In addition, under the equity accounting principle, the Company's equity in the aggregate net income of all companies 50% owned is included in consolidated net income; the book value of the investments in these companies is increased by an equivalent amount less dividends received (see note 3). All intercompany items and transactions between subsidiaries, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31st December 1967, except that (a) certain fixed bank deposits, inventories, investments and fixed assets with related provisions for depreciation and depletion are at rates current at dates of acquisition, and (b) debts not maturing within one year, with a minor exception, are at rates current at dates of original borrowing. Accounts in the consolidated statement of income, except provisions for depreciation and depletion, are translated at average exchange rates prevailing during the year.

2. Inventories of Aluminum, Materials and Supplies:

Inventories, as summarized below, are stated at cost (determined for the most part on the monthly average method) or market, whichever is the lower:

	1967	1966
Aluminum	$196,116,426	$192,884,373
Raw materials	73,780,581	80,150,059
Supplies	59,797,254	54,213,809
	$329,694,261	$327,248,241

3. Investments in Companies not Consolidated:

	1967	1966
Companies 50% owned — cost plus equity in undistributed income (notes 1 and 10) (Cost 1967 — $76,131,580; 1966 — $21,375,338)	$101,990,753	$ 41,112,344
Companies less than 50% owned, at cost	19,670,947	17,330,232
	$121,661,700	$ 58,442,576

The Company's share in the net income of the companies 50% owned amounted to $6.9 million in 1967 ($3.5 in 1966); dividends received from these companies amounted to $2.6 million in 1967 ($2.3 in 1966).

The following is a summary in millions of dollars of the assets and liabilities of the companies 50% owned, located principally in Germany, Japan and Norway.

ASSETS		LIABILITIES	
Current assets	$157	Current liabilities	$124
Investments	42	Funded debt	149
Fixed assets	473	Deferred income taxes	41
Less: depreciation, etc.	(182)	Equity:	
		Alcan Aluminium Limited	88
		Other shareholders	88
	$490		$490

The difference between the investment in the companies 50% owned and the Company's equity therein is being amortized over the estimated useful lives of the related fixed assets.

4. Land, Plants, Riparian Rights, and Facilities:

	1967	1966
Land and water rights	$ 60,356,719	$ 61,691,448
Mineral properties, rights and development	16,590,755	16,243,293
Buildings, machinery and equipment	1,905,164,226	1,813,572,647
	1,982,111,700	1,891,507,388
Construction work in progress	81,838,276	84,511,333
	$2,063,949,976	$1,976,018,721

Capital projects are expected to involve the expenditure of some $150 million during 1968.

5. Depreciation Policy and Deferred Income Taxes:

With minor exceptions, depreciation recorded in the accounts is calculated at straight-line rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Deferred Income Taxes. When the allowances so utilized fall short of straight-line depreciation, resulting in higher current income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

6. Preferred Shares of Subsidiaries and Other Minority Interests:

Cumulative Redeemable Preferred Shares:	1967	1966
Aluminum Company of Canada, Ltd:		
4% Sinking fund first preferred shares	$ 7,969,100	$ 8,259,325
4½% Sinking fund second preferred shares	48,117,600	49,240,850
Other	1,871,135	1,869,835
	57,957,835	59,370,010
Minority interests in equity of subsidiaries	23,766,987	23,094,964
	$81,724,822	$82,464,974

7. Dividend Restrictions:

Consolidated earned surplus at 31st December 1967 includes approximately $164 million which, pursuant to the provisions of certain debt issues of Aluminum Company of Canada, Ltd, is not distributable in dividends either in cash or in kind to the Company, the holder of its common shares.

8. Other Income:

	1967	1966
Income from companies less than 50% owned	$ 866,406	$ 838,865
Income from time deposits and Government of Canada securities	4,562,342	2,808,238
Gain (less losses) on disposal of fixed assets	1,142,676	699,730
Other	931,769	1,144,581
	$7,503,193	$5,491,414

Gain on disposal of fixed assets in 1967 includes $2.0 million from sale of copper conductor. A similar gain of $12.3 million in 1966 was credited to earned surplus because of its materiality.

9. Other Expenses:

	1967	1966
Supplemental Compensation Plan (note 13)	$1,509,210	$3,276,195
Other	1,217,557	3,514,874
	$2,726,767	$6,791,069

Notes to Financial Statements

10. Capital Stock:

In January 1967, the Company issued 1,100,000 common shares plus U.S. $4.0 million of 6% promissory notes in exchange for a 50% interest in A/S Ardal og Sunndal Verk (ASV). A further 30,000 common shares were issued in May 1967 as part of a related transaction whereby ASV acquired two other Norwegian companies in which the Company held a 50% interest. Based on the average market price of the Company's shares during the period of negotiation, Capital Stock increased by Can. $44.5 million in respect of the 1,130,000 shares.

Common shares outstanding were also increased during 1967 by the issuance of 898 shares at $40.50 per share under the 1966 offerings of the Employee Share Purchase Plans. The prices were fixed under the terms of the Plans at 92% of the market price at the time of the offerings. At 31st December 1967, 335 shares remained to be purchased by the employees under the 1966 offerings and 555,213 shares were available for offerings until 30th April 1969.

A further 2,200 shares were issued, as indicated below, from the exercise of options granted to officers and other employees under the first and second Share Option Plans approved by the shareholders, at prices fixed at market prices at times of grant. As these plans had previously expired, no options could be granted under them during 1967.

Option price and year of grant	Shares under option 1st January 1967	Year 1967 Exercised	Granted	Expired or Cancelled	Shares under option 31st December 1967*
$36.50 — 1959	103,160	—	—	2,250	100,910
30.75 — 1960	44,840	—	—	700	44,140
33.875 — 1961	750	—	—	—	750
25.875 — 1963	58,350	200	—	—	58,150
26.75 — 1963	30,890	2,000	—	—	28,890
33.0625 — 1967	—	—	172,000	—	172,000
	237,990	2,200	172,000	2,950	404,840

*Including 12,000 shares under options granted to directors and officers of the Company in 1959, 2,000 shares in 1960, 22,500 shares in 1963 at $25.875, and 7,500 shares at $26.75, and 36,500 shares in 1967.

In 1967, options to purchase 172,000 shares were granted to officers and employees under the third Share Option Plan approved by the shareholders on 28th April, 1966. At 31st December, 1967, 128,000 shares were available until 15th April, 1971 for granting of options under the third Share Option Plan and 1,500,000 common shares were subject to issuance under the conversion privileges of the 4¼% cumulative redeemable convertible preferred shares. The preferred shares may be converted into common shares on a share per share basis at any time prior to 15th July 1973 and may be redeemed in whole or in part at any time at the option of the Board of Directors on thirty days' notice at $43 per share.

11. Pension Plans:

The Company and its subsidiaries (with some exceptions) have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. In 1967, the companies incurred a pension expense of $12,380,000 with respect to these plans which are virtually fully funded.

12. Commitments:

A subsidiary company, Saguenay Shipping Limited, has charter hire commitments amounting to $9.8 million in 1968 ($19.5 million paid in 1967), $7.9 million in 1969, $5.7 million in 1970, $3.6 million in 1971, $2.8 million in 1972, $2.1 million in 1973 and lesser amounts up to 1979. See also reference to capital expenditures in note 4.

13. Supplemental Compensation Plan:

Under the Supplemental Compensation Plan for certain employees that was approved by the shareholders in 1963, there is credited annually to a reserve an amount equivalent to one-tenth of the excess, if any, of net income over a 6% return on capital investment, both as defined in the Plan.

The purpose of the Plan is to provide an incentive and a reward to employees who contribute substantially to the success of the enterprise, through the quality of their performance or the character of their service, by affording them a means of participating in that success. A committee made up of certain directors not eligible for supplemental compensation determines the allotments to employees. Allotments are generally payable over a period of four years.

The credit to the reserve for 1967 and the amount remaining in the reserve at 31st December 1967 have been determined by the Company's auditors, as required by the Plan, as follows:

Net income for the year before the credit to the reserve	$66,632,026
Add:	
Interest on debt not maturing within one year	31,323,375
Dividends on preferred shares of subsidiaries and other minority interests	4,116,125
Plan net income	102,071,526
Less:	
6% return on capital investment (principally debt not maturing within one year, capital stock and surplus)	86,979,432
Excess of plan net income over 6% return on capital investment	15,092,094
Credit to the reserve — 10%	$ 1,509,210
Balance in the reserve, 31st December 1966	$ 4,463,648
Allotments less forfeitures in 1967	2,058,000
	2,405,648
Credit to the reserve for the year 1967 (as above)	1,509,210
Balance in the reserve (included in current liabilities), 31st December 1967	$ 3,914,858

14. Geographical Distribution of Assets and Liabilities:

A condensed analysis of the balance sheet at 31st December 1967 according to the domicile of the constituent companies and their branches, follows:

	North America	South America and Caribbean	United Kingdom and Continental Europe	All Other	Total
	(in millions of dollars)				
ASSETS:					
Current assets	$ 394	$ 65	$ 132	$ 64	$ 655
Investments	4	1	84	33	122
Fixed assets	1,421	335	170	138	2,064
Less: Depreciation, etc.	(684)	(149)	(73)	(51)	(957)
Other assets	19	8	—	—	27
	1,154	260	313	184	1,911
LIABILITIES:					
Current liabilities	108	34	52	30	224
Funded debt	615	12	45	27	699
Deferred income taxes	135	5	6	4	150
Preferred shares, etc.	121	1	4	16	142
	979	52	107	77	1,215
Common shareholders' equity	$ 175	$ 208	$ 206	$ 107	$ 696

15. Statutory Information:

Total remuneration received by the directors of the Company (including the salaries of officers who are also directors) amounted to $655,699 in 1967.

Notes to Financial Statements

16. Debt Not Maturing Within One Year:

	1967	1966
Aluminum Company of Canada, Ltd:		
Revolving credit loans from banks, under U.S. $160,000,000 credit agreement, convertible at the Company's option on 1st May 1970 into term loans repayable in five equal consecutive annual instalments beginning one year from date of conversion — (U.S. $160,000,000)	$171,520,071	$ 37,874,446
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"	2,592,000	2,692,000
Series "B" (U.S. $4,259,000)	4,259,000	5,466,000
Commutation value of contractual obligation for annual payments secured by second hypothec — payable in Canadian and United States currencies, in equal parts	5,175,000	5,400,000
3½% Sinking fund debentures, due 1971	19,704,000	21,442,000
3⅞% Sinking fund debentures, due 1970 (U.S. $14,594,000)	14,361,408	18,232,710
4½% Sinking fund debentures, due 1973	26,958,000	29,115,000
4½% Sinking fund debentures, due 1980 (U.S. $75,281,000)	72,854,964	78,520,311
5.10% Notes, due 1968/1992 (U.S. $100,000,000)	97,586,489	97,586,489
Redeemable notes — payable to the U.K. Government — interest and $23,988,750 of principal abatable in certain circumstances:		
3% Notes, due 1971	54,950,000	54,950,000
3½% Notes, due 1971	24,975,000	24,975,000
3½% Notes, due 1974	40,000,000	40,000,000
Alcan Aluminum Corporation:		
4¾% 20-year notes (U.S. $40,000,000)	43,036,000	43,036,000
Non-interest bearing serial notes, due 1968/1975 (U.S. $22,708,243)	24,390,924	27,440,073
Alcan Industries Limited:		
6% Debentures, due 1983 (£2,700,000)	8,479,362	8,793,412
Bank loan (£3,000,000)	9,015,625	9,015,625
Alcan (U.K.) Limited:		
Bank loans (£6,200,000)	18,691,889	16,479,095
Alcan Australia Limited:		
Various issues, due 1968 to 1988 (A $9,649,000)	10,858,978	10,081,572
Indian Aluminium Company, Ltd.:		
6¼% Debentures, due 1970/1975 (Rps. 28,079,500)	5,607,477	5,637,532
Other debt (Rps. 8,986,207 and £500,000)	3,523,831	3,669,242
Other:		
Bank loans	36,484,127	27,132,437
Other debt	20,157,248	21,079,671
	715,181,393	588,618,615
Less: Debt payable within one year included in current liabilities (equivalent to $16,265,094 at year-end rates of exchange)	16,233,660	9,907,076
	$698,947,733	$578,711,539

Allowing for payments already made, sinking fund and other requirements over the next five years against the above debt, other than bank loans, amount to approximately $13.7 million in 1968, $18.6 million in 1969, $23.6 million in 1970, $123.4 million in 1971 and $22.4 million in 1972.

Auditors' Report

Price Waterhouse & Co.

5 Place Ville Marie, Montreal 2
13th February 1968

To the Shareholders of Alcan Aluminium Limited:

We have examined the consolidated balance sheet of Alcan Aluminium Limited and subsidiary companies as at 31st December 1967 and the consolidated statements of income, earned surplus, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31st December 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Transfer Agents

	PREFERRED SHARES
MONTREAL	National Trust Company, Limited
TORONTO	National Trust Company, Limited
VANCOUVER	National Trust Company, Limited

	COMMON SHARES
MONTREAL	National Trust Company, Limited
TORONTO	National Trust Company, Limited
*CALGARY	National Trust Company, Limited
VANCOUVER	National Trust Company, Limited
PITTSBURGH	Mellon National Bank and Trust Company
NEW YORK	First National City Bank
LONDON	Morgan Grenfell & Co. Limited

*As of 1st March 1968

Registrars

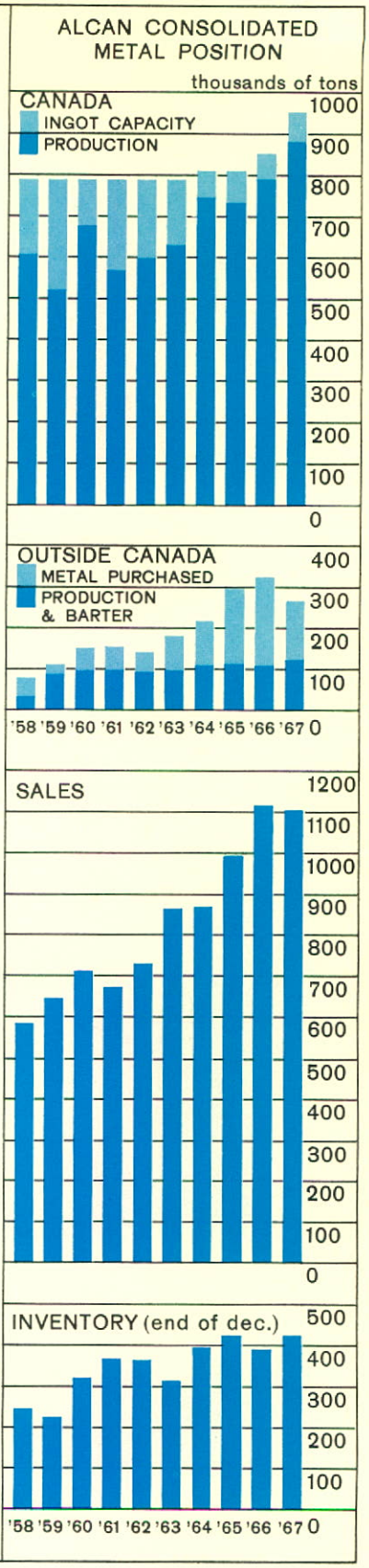
MONTREAL	The Royal Trust Company
TORONTO	The Royal Trust Company
VANCOUVER	The Royal Trust Company

MONTREAL	The Royal Trust Company
TORONTO	The Royal Trust Company
*CALGARY	The Royal Trust Company
VANCOUVER	The Royal Trust Company
PITTSBURGH	Pittsburgh National Bank
NEW YORK	Manufacturers Hanover Trust Company
LONDON	The Royal Trust Company

A Ten Year Summary

OPERATING DATA (in thousands of tons)	1958	1959	1960
Aluminum sales by consolidated subsidiaries			
Ingot and ingot products	401	440	487
Fabricated products	180	206	229
Total	581	646	716
Fabricated product sales by all consolidated and affiliated companies	230	265	310
Production of primary aluminum			
Canada	600	517	672
Subsidiaries and affiliates outside Canada	115	141	156
CONSOLIDATED INCOME STATEMENT ITEMS (in millions of $)			
Revenues — Sales of aluminum	335	366	417
— Sales of all other products	21	27	35
— Operating revenues	65	54	56
— Equity in income of 50% owned companies	2	2	3
— Other income	3	4	12
	426	453	523
Income before income taxes	44	49	76
Provision for income taxes	16	20	31
Preferred dividends (including subsidiaries) and minority interests	3	4	4
Net income for common	24	25	41
CONSOLIDATED BALANCE SHEET ITEMS (in millions of $)			
Net current assets	200	221	212
Net fixed assets	936	949	958
Investments in companies not consolidated	27	30	37
Long-term debt	555	578	557
Deferred income taxes	118	125	132
Subsidiaries' preferred shares and minority interests	78	77	76
Shareholders' equity	434	445	470
Total assets	1,281	1,326	1,369
PER SHARE OF COMMON STOCK (in dollars)			
Profit after preferred dividends	0.80	0.84	1.34
Dividends paid	0.73	0.53	0.68
Cash generation	2.41	2.62	3.25
Book value	14.32	14.64	15.37
OTHER STATISTICS			
Capital expenditures (in millions of $)	108	66	72
Cash generation (in millions of $)	73	80	99
Return on average equity (as a percentage)	5.6	5.8	8.9
Number of common stock shareholders at year end (thousands)	49	65	61
Number of employees at year end (thousands)	44	45	49

1961	1962	1963	1964	1965	1966	1967
429	471	531	508	503	561	563
242	259	331	354	490	554	541
671	730	862	862	993	1,115	1,104
346	370	497	590	633	724	703
569	596	626	740	728	788	878
171	194	214	245	269	286	521
420	462	559	595	740	838	827
40	41	54	67	81	91	88
57	56	57	65	69	69	66
4	3	3	4	3	3	7
3	7	4	6	6	6	7
524	569	677	737	899	1,007	995
62	75	71	105	129	145	117
24	31	32	48	60	63	48
4	5	6	8	9	7	7
33	39	33	49	60	75	63
216	236	298	297	331	332	431
950	951	955	951	1,024	1,069	1,107
48	54	56	63	58	58	122
559	565	552	526	587	579	699
131	130	134	135	137	146	150
78	79	78	79	83	82	82
464	484	565	593	626	684	756
1,375	1,414	1,485	1,512	1,645	1,736	1,911
1.08	1.27	1.07	1.57	1.93	2.41	1.94
0.61	0.64	0.65	0.70	0.89	1.00	1.08
2.87	3.17	3.20	3.82	4.40	5.17	4.62
15.13	15.77	16.27	17.16	18.21	20.04	21.59
81	66	70	72	143	122	190
88	97	99	119	137	161	149
7.1	8.2	6.6	8.9	10.2	11.9	9.0
54	54	51	50	52	57	67
47	50	53	54	60	64	59



Principal Operating Subsidiaries and Affiliates

31st December 1967

Main Countries of Operations	Company Name
NORTH AMERICA	
Canada	Aluminum Company of Canada, Ltd Alcan Building Products Limited Alcan Design Homes Limited Alcan Pipe Limited Alma & Jonquières Railway Aluminum Goods Limited Metcan Products Limited Newfoundland Fluorspar Limited Roberval and Saguenay Railway Saguenay Shipping Limited Saguenay Terminals Limited Saguenay Power Company, Ltd. Saguenay Transmission Company, Limited **Supreme Aluminum Industries Limited
United States	Alcan Aluminum Corporation †Alcan Cable †Alcan Metal Powders *Fabral Corporation
CARIBBEAN	
Guyana	Demerara Bauxite Company, Limited Sprostons, Limited
Jamaica	Alcan Jamaica Limited Alcan Products of Jamaica Limited Sprostons (Jamaica) Limited
Trinidad	Chaguaramas Terminals Limited Sprostons (Trinidad) Limited
LATIN AMERICA	
Argentina	Alcan Argentina S.A.I.C.
Brazil	Alcan Aluminio do Brasil S.A. Aluminio Minas Gerais S.A.
Colombia	Aluminio Alcan de Colombia, S.A.
Mexico	Aluminio Industrial Mexicano, S.A.
Uruguay	Alcan Aluminio del Uruguay S.A.
EUROPE	
Belgium	Alcan Aluminium Raeren S.A.
Denmark	**Aluminord A/S **Dansk Aluminium Industri A/S
France	Alcan-Schwartz, Filage et Oxydation Aluminium Alcan de France S.A. des Bauxites et Alumines de Provence
Germany	Alcan Aluminiumwerke GmbH *Aluminium Norf GmbH
Ireland	**Unidare Limited
Italy	Alcan Alluminio Italiano S.p.A. **Angeletti & Ciucani Fonderia Laminatoio S.p.A.
Netherlands	**N.V. Nederlandsche Aluminium Maatschappij
Norway	*A/S Ardal og Sunndal Verk (ASV) ††A/S Norsk Aluminium Company ††A/S Nordisk Aluminiumindustri *Det Norske Nitridaktieselskap
Spain	Alcan Aluminio Iberico, S.A.
Sweden	**A/B Svenska Metallverken
Switzerland	Aluminiumwerke A.-G. Rorschach
United Kingdom	Alcan Industries Limited *Alcan Enfield Alloys Limited Alcan Polyfoil Limited Alcan Foils Limited
AFRICA	
Ghana	Ghana Aluminium Products Limited
Guinea	**Halco (Mining) Inc.
Nigeria	Alcan Aluminium of Nigeria Limited Flag Aluminium Products Limited
South Africa	Alcan Aluminium of South Africa Limited
ASIA	
India	Indian Aluminium Company, Limited
Japan	*Nippon Light Metal Company, Ltd. *Toyo Aluminium K.K.
Malaysia	Alcan Malayan Aluminium Co. Ltd. Southeast Asia Bauxites Limited Johore Mining and Stevedoring Co. Ltd.
SOUTH PACIFIC	
Australia	Alcan Australia Limited **Queensland Alumina Limited *Wm. Breit & Company Pty. Ltd.
New Zealand	Alcan New Zealand Limited Aluminium Conductors Limited
INTERNATIONAL SALES	Alcan Africa Limited — Africa Alcan Asia Limited — Far East Alcan S.A. — Europe (excluding Germany and Scandinavia), Middle East, North Africa Alcan Metall GmbH — Germany Alcan (U.K.) Limited—U.K., Scandinavia Alcan Sales Inc. — U.S.A., Caribbean and Latin America Magnesium Company of Canada, Ltd.

*Company owned 50%
**Company owned less than 50%
†Division of Alcan Aluminum Corporation
††Company owned 100% by A/S Ardal og Sunndal Verk

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